

DESCENTE

2Q FY2021 Earnings

November 5, 2021

Disclaimer: This is an AI English translation of the original Japanese-language Consolidated Financial Summary of DESCENTE LTD. (the Company) for 2Q of the fiscal year ending March 31, 2022 and is provided for reference purposes only. Readers are advised that the Company does not guarantee the accuracy of the content contained in this report. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.

Description of the Terms

Definition of Terms

Segment: Classified according to country and area of the location of the company

Example: Net sales from DESCENTE LTD. to JV in China is counted in Japan segment

***Segment changed from [Japan-Asia-Europe/Americas] to [Japan-South Korea-China] from FY2020.**

Area: Classified according to country and area of the location of the customer

Example: Net sales from DESCENTE LTD. to JV in China is counted in China area

Business Year:

<Japan> April–March *Example: 1Q = April-June*

<Overseas subsidiaries / Affiliate> January-December *Example: 1Q=January-March*

***Group internal sales is eliminated in neither of these cases (Not Counted)**

Rules for Numerical Description

The number is truncated and percentage is rounded off.

Matters Related to changes in Reportable Segments

In recent years, the importance of our business in South Korea and China has increased, therefore the Company has changed its reportable segments up to FY2019 Asia to South Korea, China and Others from the FY2020. As a result of the resolution to liquidate all U.S. and European subsidiaries that were included Europe/Americas segment until FY2019 the importance of the business of Europe/Americas subsidiaries has declined. As a result, the business of Europe/Americas have been included in Others. Segment information for each quarter of FY2019 is prepared by the segment classification method after the change.

Japan Segment

Sales

Sales of DESCENTE LTD. and consolidated subsidiaries in Japan

Including the following

- Sales royalties for overseas locally planned products
- Product sales to overseas consolidated subsidiaries and equity method affiliates

South Korea Segment

Sales

Sales of DESCENTE KOREA and DESCENTE GLOBAL RETAILS

Including the following

- Product sales to overseas consolidated subsidiaries and equity method affiliates

Non-operating profit and loss

Gain or loss on investment of an equity method affiliate in South Korea, etc.

China Segment

Sales

Sales of consolidated subsidiaries in China

Non-operating profit and loss

Gain or loss on investment of an equity method affiliate in China, etc.

1. 2Q of FY2021

①Financial Summary

②Area and Brand Review

③Number of Stores

④Topics

2. Plan for FY2021

Results of 2Q FY2021 (Consolidated)



1.2Q FY2021 ①Financial Summary

- In the second half (Japan: April-September, Overseas: January-June), both sales and profits increased from previous year, when the impact of COVID-19 was significant.

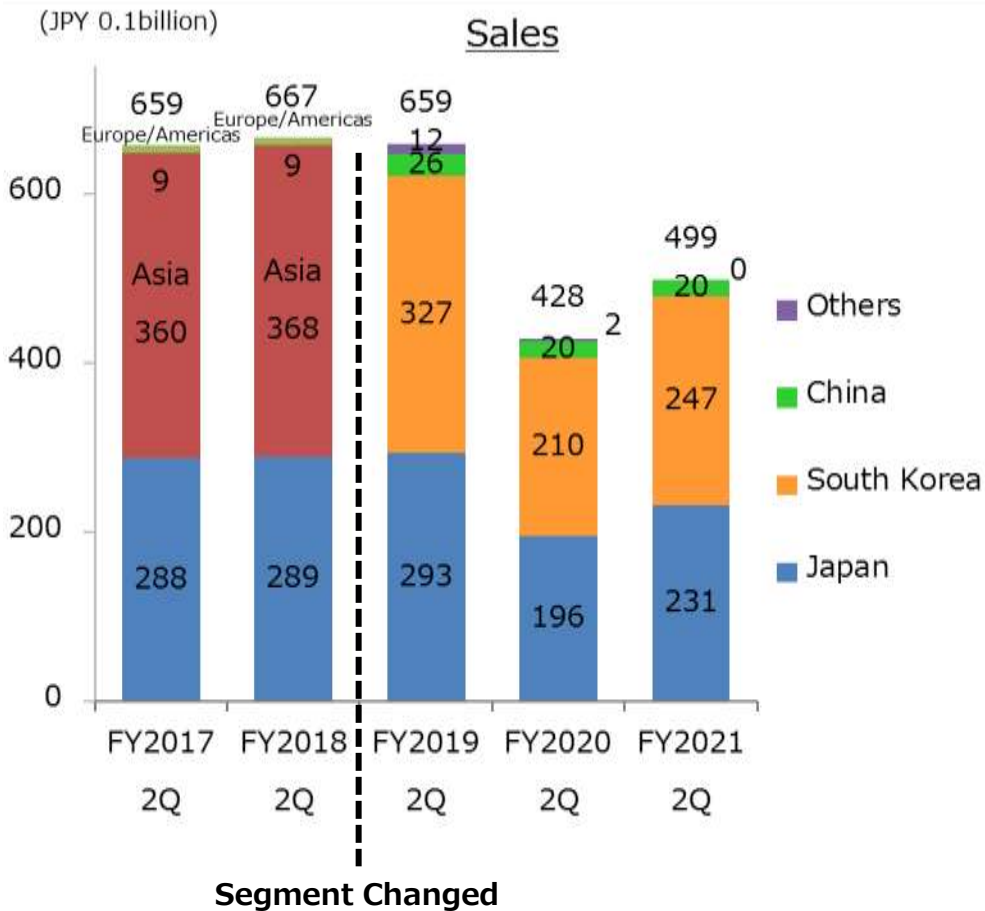
| (Unit: JPY million) | FY2021 | FY2020 | | FY2021 |
|---|-------------------------|-------------------------|--------|-------------------|
| | 2nd Quarter performance | 2nd Quarter performance | YoY | Previous Forecast |
| Net sales | 49,926 | 42,897 | +16.4% | 103,000 |
| Operating income | 2,714 | ▲ 2,449 | - | 4,250 |
| (%) | 5.4% | ▲ 5.7% | - | 4.1% |
| Ordinary income | 4,005 | ▲ 2,077 | - | 6,800 |
| (%) | 8.0% | ▲ 4.8% | - | 6.6% |
| Profit attributable to owners of parent | 2,487 | ▲ 1,265 | - | 6,200 |
| (%) | 5.0% | ▲ 2.9% | - | 6.0% |

Segment (based on the company location) Sales (Consolidated)



1.2Q FY2021 ①Financial Summary

- Sales increased in main segments (Japan, South Korea and China).



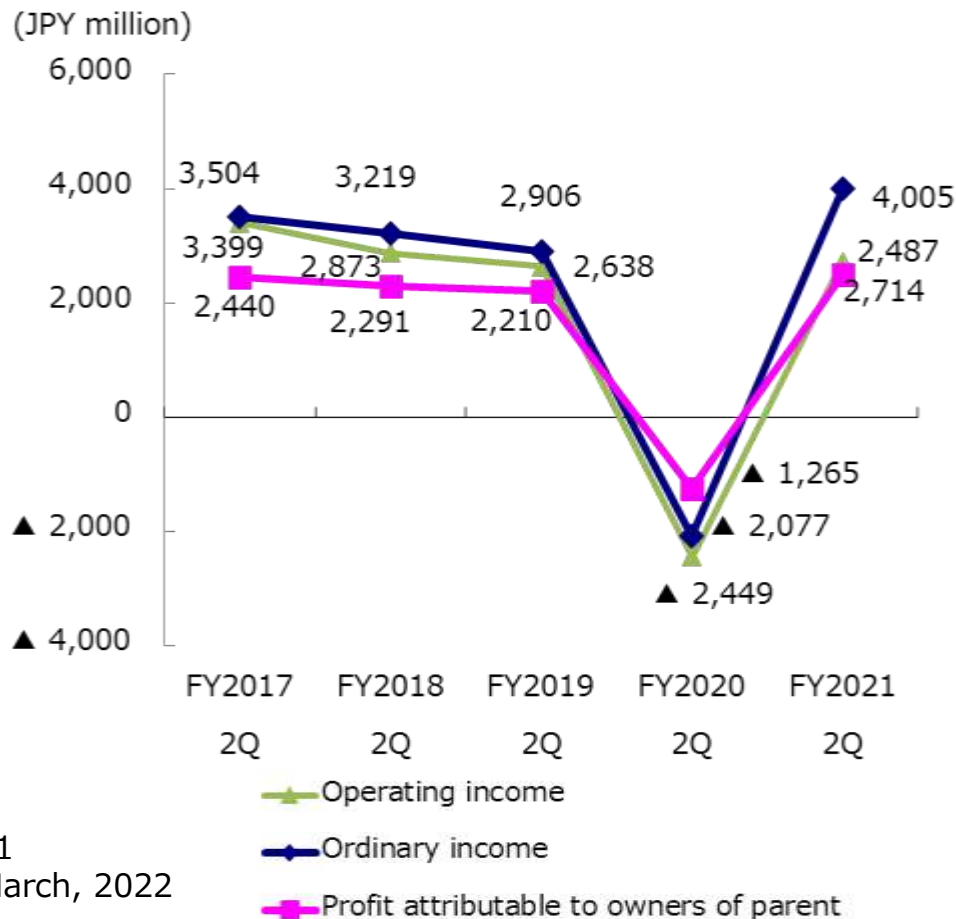
YoY +¥7 billion (+16%)

| | |
|------------------------------------|-----------|
| Japan | +¥3.48 B |
| South Korea | +¥3.72 B |
| (Currency Factor of +¥0.63billion) | |
| China (incl. Hong Kong/Taiwan) | + ¥0.05 B |
| Others | ▲ ¥0.22 B |

NOTES: FY2021 = FY ending March, 2022



- Gross profit increased mainly due to profitability improvement in Japan business, resulting huge increase in operating income.
- In China, “arena” recovered to the level prior to the spread of COVID-19 and “DESCENTE” continued to grow, which both brands operated by equity method affiliates, resulting increase in non-operating income and ordinary income.



| (JPY Million) | FY2021 | FY2020 | Impact in Profit* |
|---|--------|---------|-------------------|
| Operating income | 2,714 | ▲ 2,449 | + 5,163 |
| Non-operating income | 1,475 | 572 | + 903 |
| Non-operating expenses | 183 | 200 | + 17 |
| Ordinary income | 4,005 | ▲ 2,077 | + 6,082 |
| Extraordinary income | 50 | 403 | ▲ 353 |
| Extraordinary loss | 62 | 65 | + 0 |
| Total income taxes | 1,504 | ▲ 473 | ▲ 1,977 |
| Profit attributable to owners of parent | 2,487 | ▲ 1,265 | + 3,752 |

Impact in profit*
+ contributes to increased earnings,
▲ contribute to decreased earnings

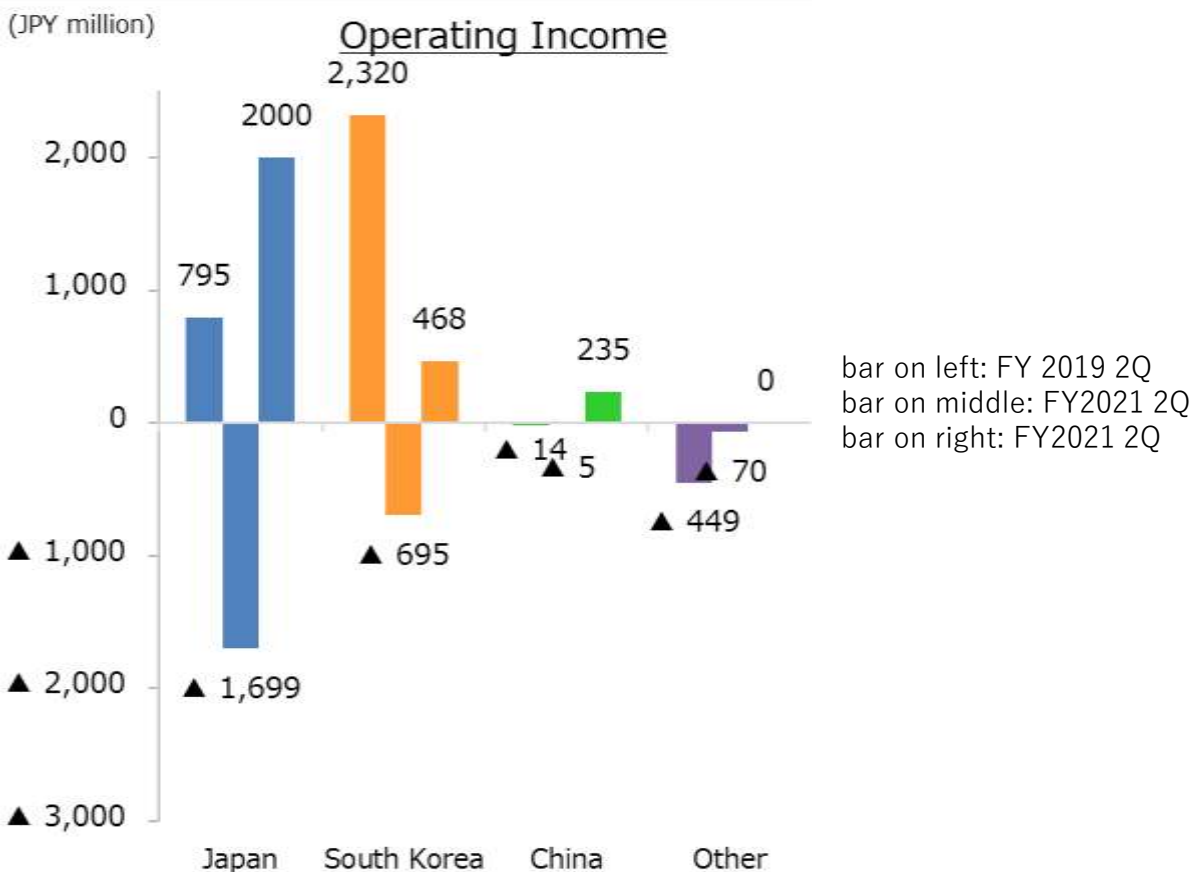
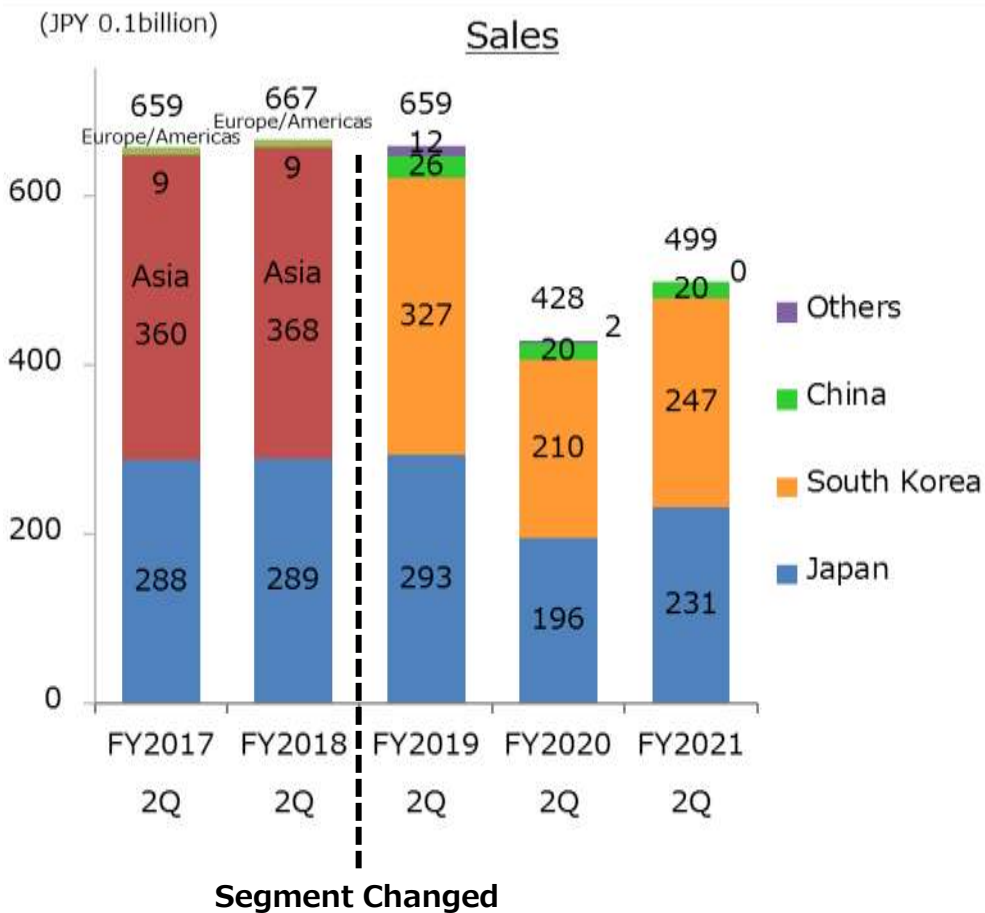
NOTES: FY2021
= FY ending March, 2022

Sales and Operating Income by Segments (Consolidated)



1.2Q FY2021 ①Financial Summary

- Income improved in all segments.
- Japan segment income exceeded South Korea segment for the first time in 9 years.



NOTES: FY2021 = FY ending March, 2022

Forecast Sales and Profit in Japan / South Korea / China

(≠Consolidated profit/loss)

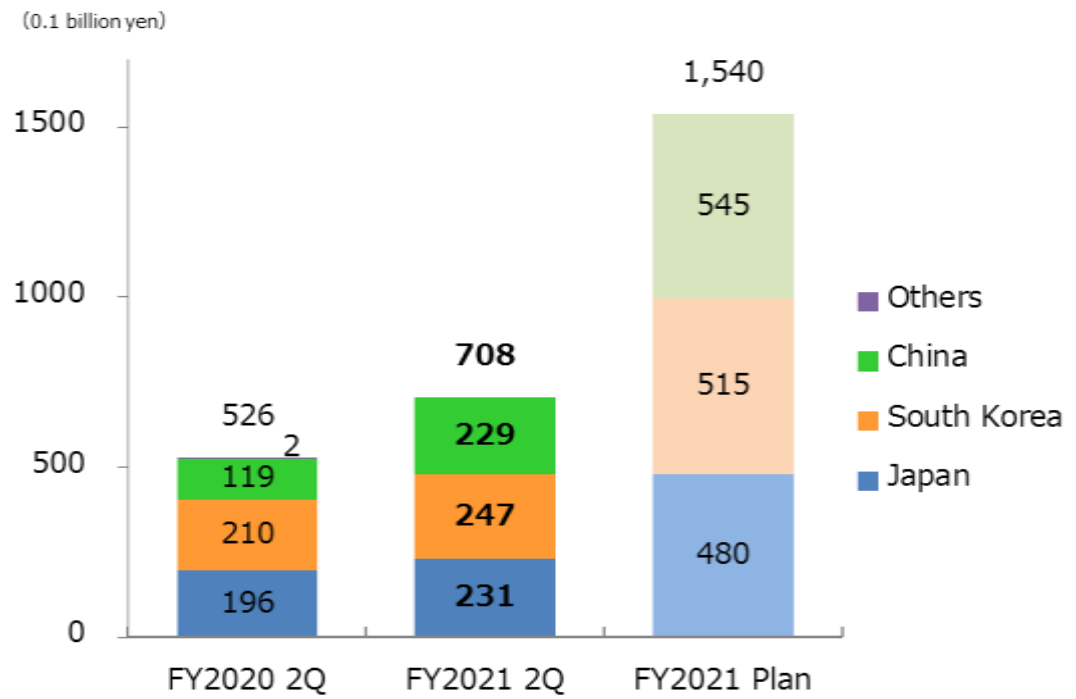


1.2Q FY2021 ①Financial Summary

- Both sales and income are on smooth path to achieve the plan.
- Profitability contribution of Japan segment is enlarging.

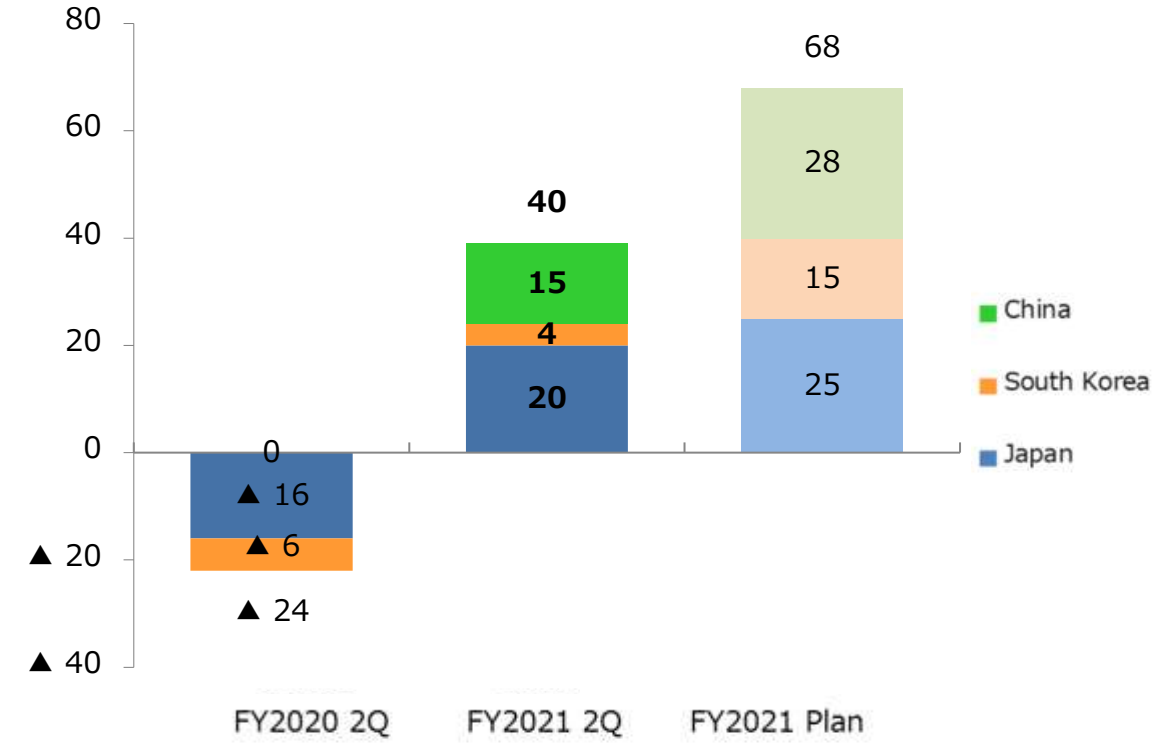
Local Net Sales

Net sales of consolidated subsidiary + net sales of equity method affiliates – internal transactions



Ordinary Income

Segment profit/loss + share of profit of entities accounted for using equity method



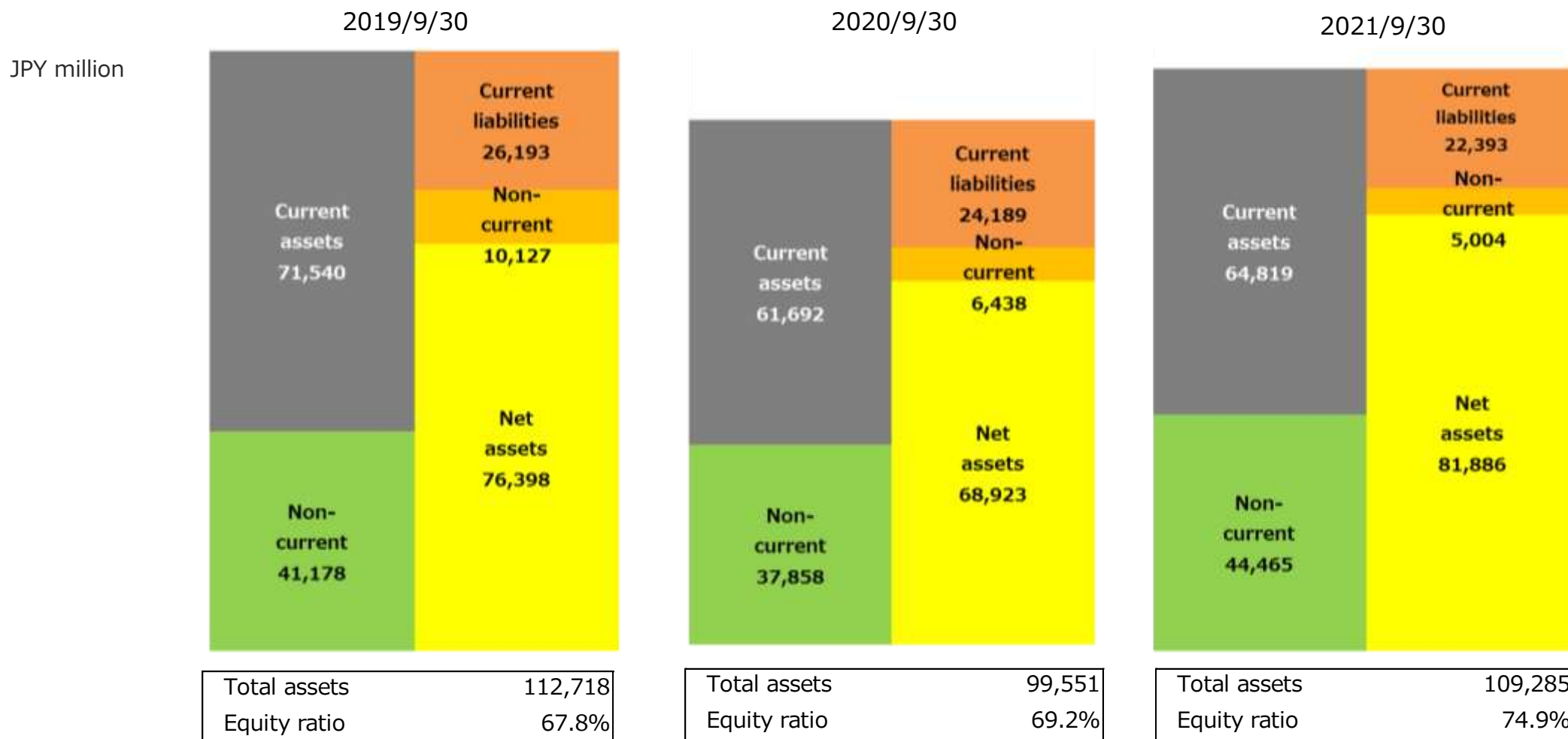
NOTES: FY2021 = FY ending March, 2022

Balance Sheet (Consolidated)



1.2Q FY2021 ①Financial Summary

- Amount of inventory decreased and cash increased as performance improved (current assets).
- Equity ratio increased by 5.7% due to increase in net assets as a result of the profitability improvement since the third quarter of the previous fiscal year.



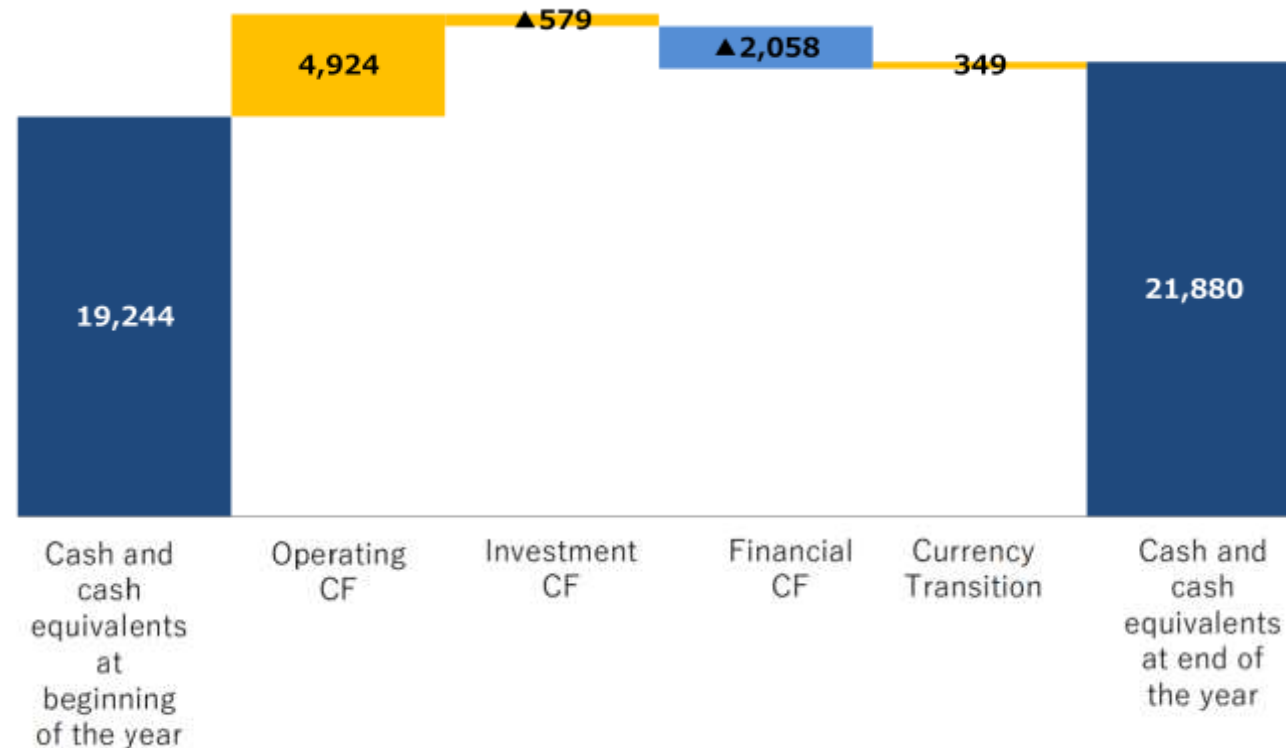
Cash Flows (Consolidated)



1.2Q FY2021 ①Financial Summary

- Due to decrease in amount of inventory and notes and accounts receivable-trade, Operating CF was +¥4.9B, Investment CF was -¥0.5B, Financial CF was -¥2.0B as payment of loans (¥1.0B) occurred.

(Yen in millions)



Compared to the beginning of FY2021 +¥2,636 M

Operating CF ¥4,924 M

(YoY ▲¥3,568 M)

| | |
|----------------------------------|-----------|
| EBITDA※1 | +¥6,242 M |
| Equity in earnings of affiliates | ▲¥1,289 M |
| Income Tax | ▲¥1,591 M |
| Changes in working capital※2 | +¥2,191 M |

Investment CF ▲¥579 M

(YoY ▲¥484 M)

Purchase of tangible/intangible assets ▲¥774 M

Financial CF ▲¥2,058 M

(Previous year: ¥316 M)

| | |
|---------------------------------|-----------|
| Repayments of lease obligations | ▲¥1,057 M |
| Repayments of loans payable | ▲¥1,000 M |

※1 EBITDA=Income before income taxes + depreciation

※2 Working capital is the change in notes and accounts receivable-trade, inventories and notes and accounts payable-trade

1. 2Q FY2021

① Financial Summary

② **Area and Brand Review**

③ Number of Stores

④ Topics

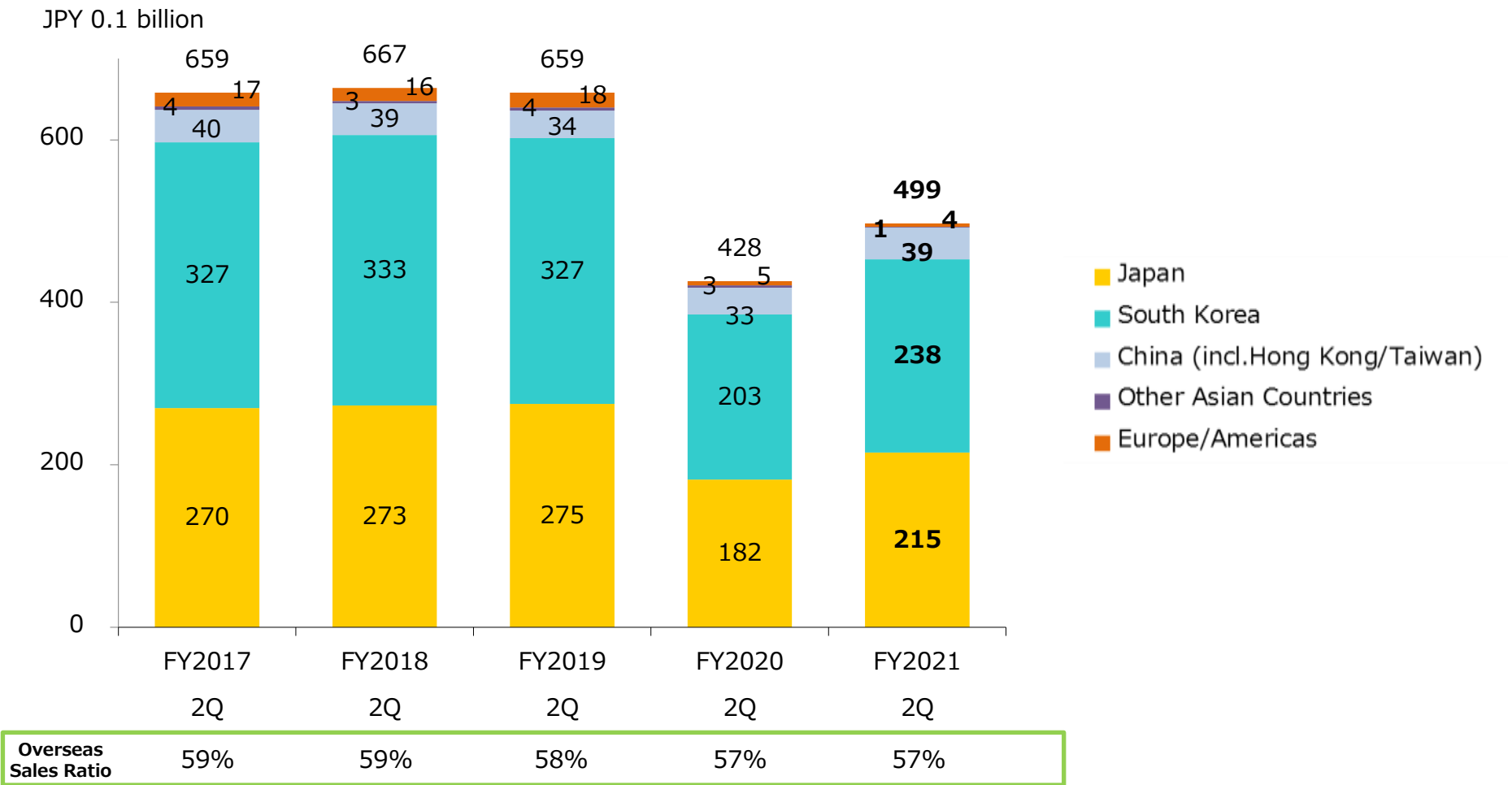
2. Plan for FY2021

Area (base on the customer location) Sales (Consolidated)



1.2Q FY2021 ②Area and Brand Review

- Sales increased in main area (Japan, South Korea and China).



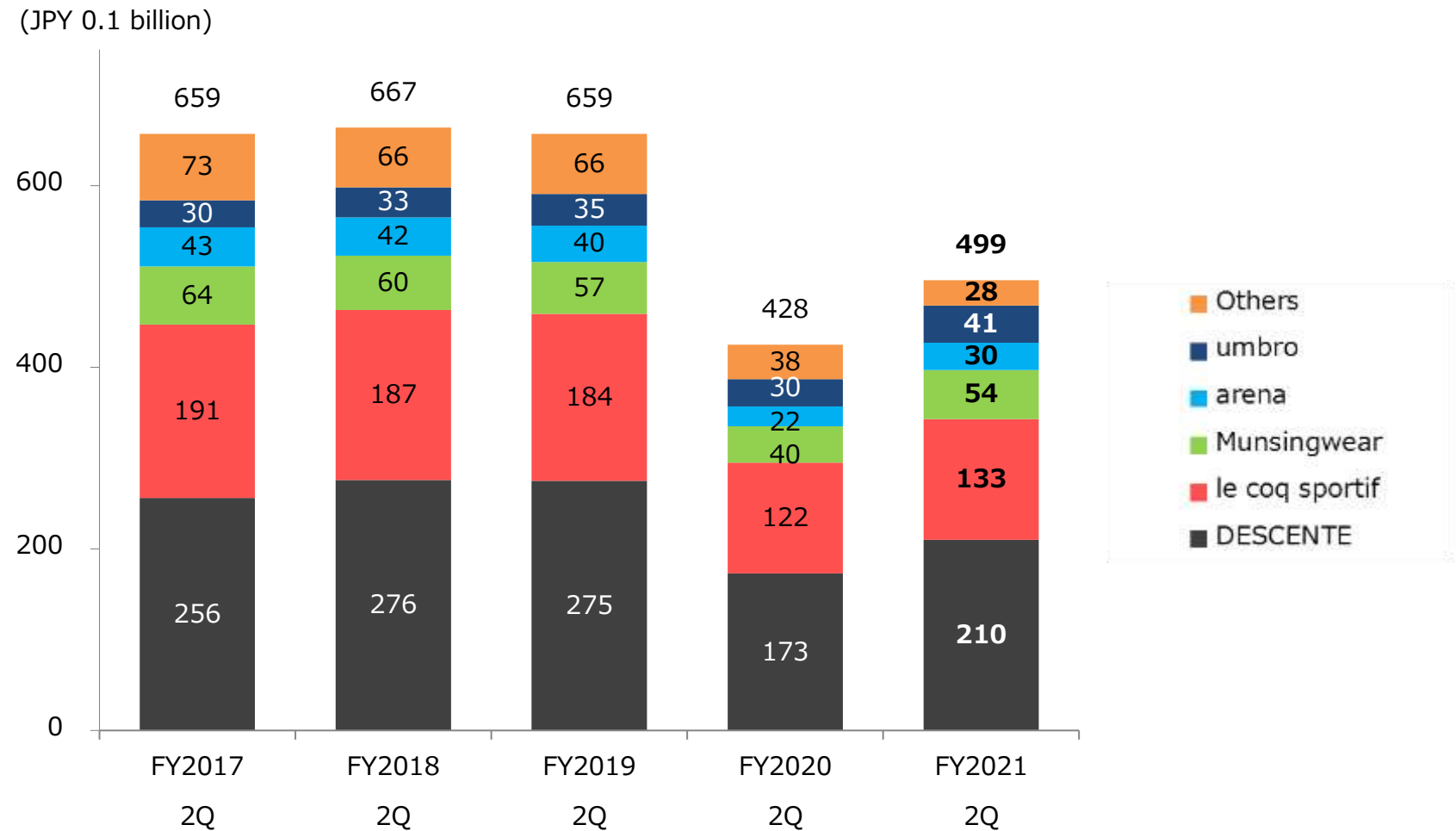
NOTES: FY2021 = FY ending March, 2022

Brand Sales (Consolidated)



1.2Q FY2021 ②Area and Brand Review

- Sales trend continued from Q1, all main 5 brands increased sales.
- “arena”, the brand suffered by COVID-19, recovered sales in all area.



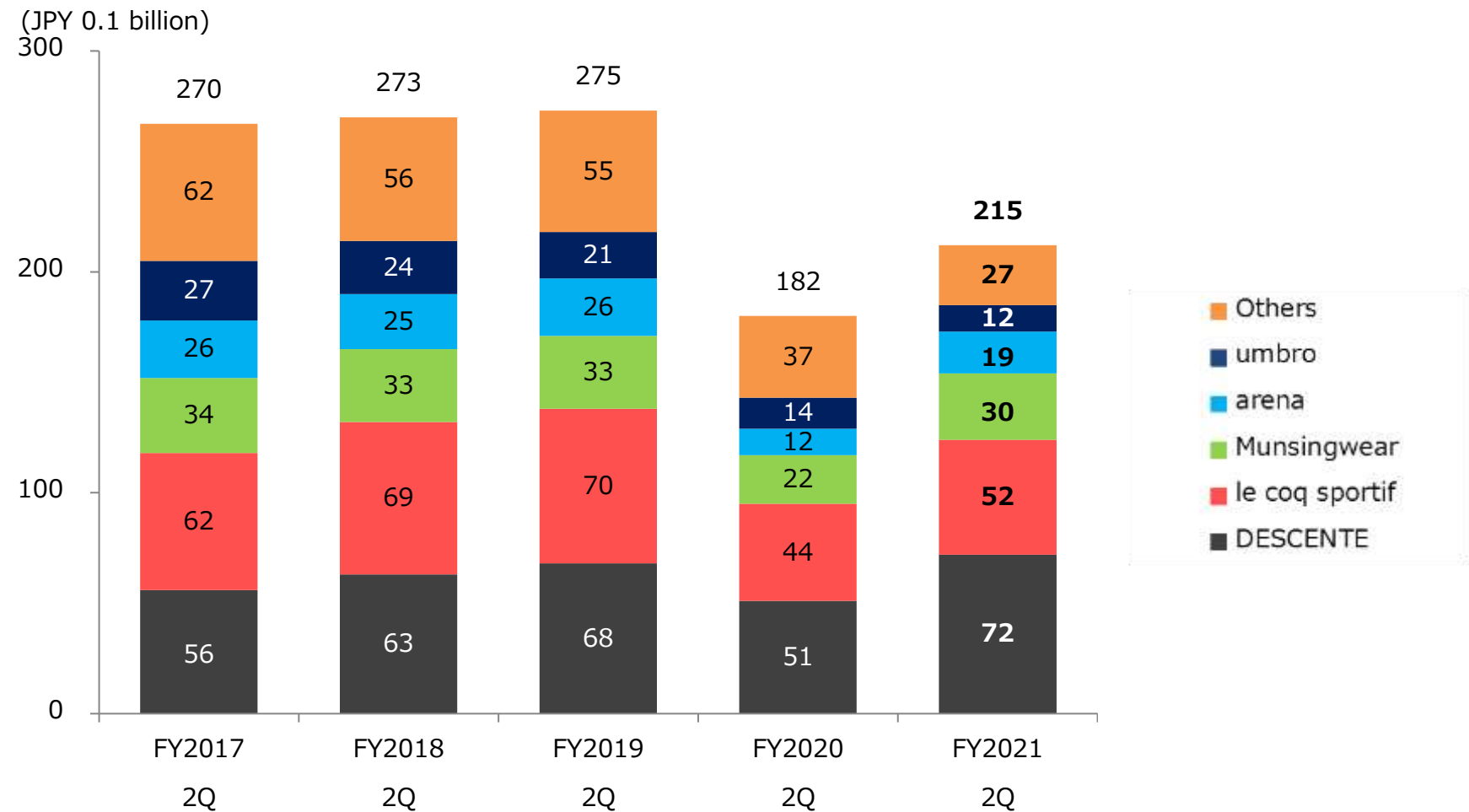
NOTES: FY2021 = FY ending March, 2022

Brand Sales (Japan)



1.2Q FY2021 ②Area and Brand Review

- Sales are on smooth path as strategy transferred to profit-focus.
- Despite the 5th wave of COVID-19 in late August, sales of Golf category increased by 41%.



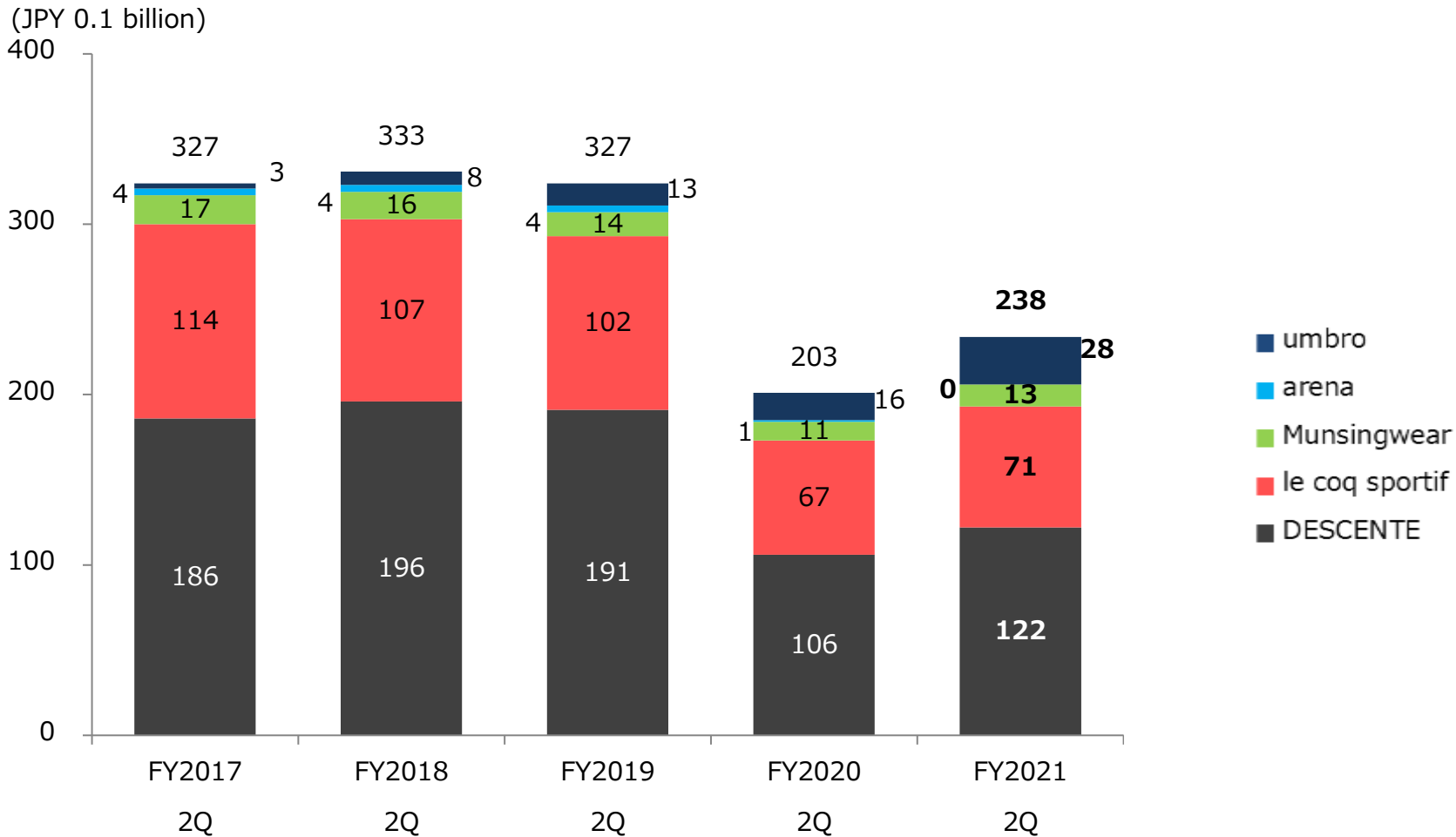
NOTES: FY2021 = FY ending March, 2022

Brand Sales (South Korea)



1.2Q FY2021 ②Area and Brand Review

- Despite the struggling due to low temperature and long rain in the second quarter (April-June), sales increased year on year.



Sales of "arena" = sales from DESCENTE LTD. to ARENA KOREA LTD. - Royalty from ARENA KOREA LTD. to DESCENTE LTD

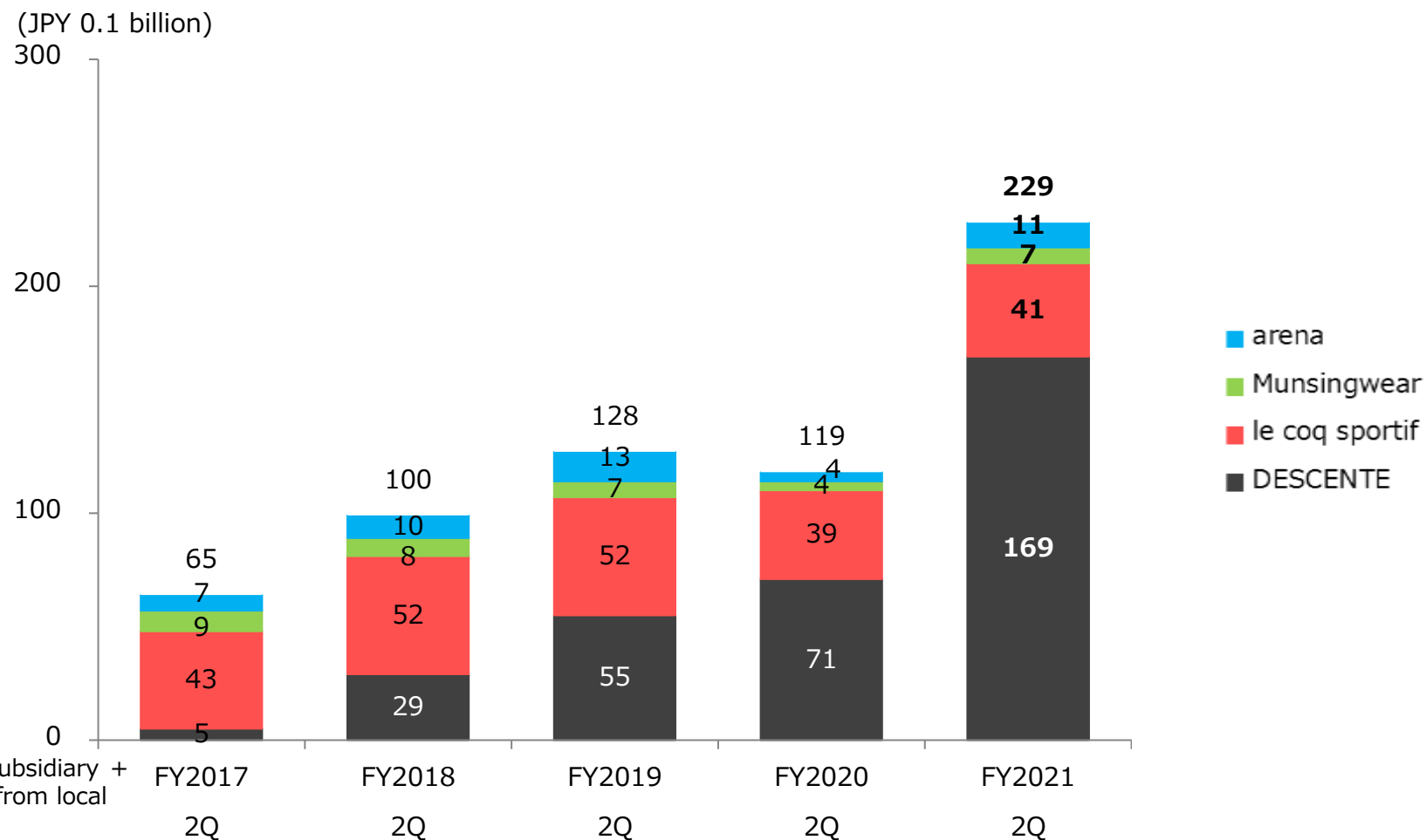
NOTES: FY2021 = FY ending March, 2022

Combined Local Sales in China(incl. Hong Kong)



1.2Q FY2021 ②Area and Brand Review

- “DESCENTE” operated by equity method affiliate continue to grow.
- “Munsingwear” increased sales reflecting strong customer traffic at directly managed stores due to events at department stores, etc.
- “arena” is on recovery to the level prior to COVID-19.



*Note: Combined Local Sales = sales of local subsidiary + sales of local equity-method affiliates' – Sales from local subsidiary to local equity-method affiliates
FY2021 = FY ending March, 2022

1. 2Q FY2021

① Financial Summary

② Area and Brand Review

③ Number of Stores

④ Topics

2. Plan for FY2021

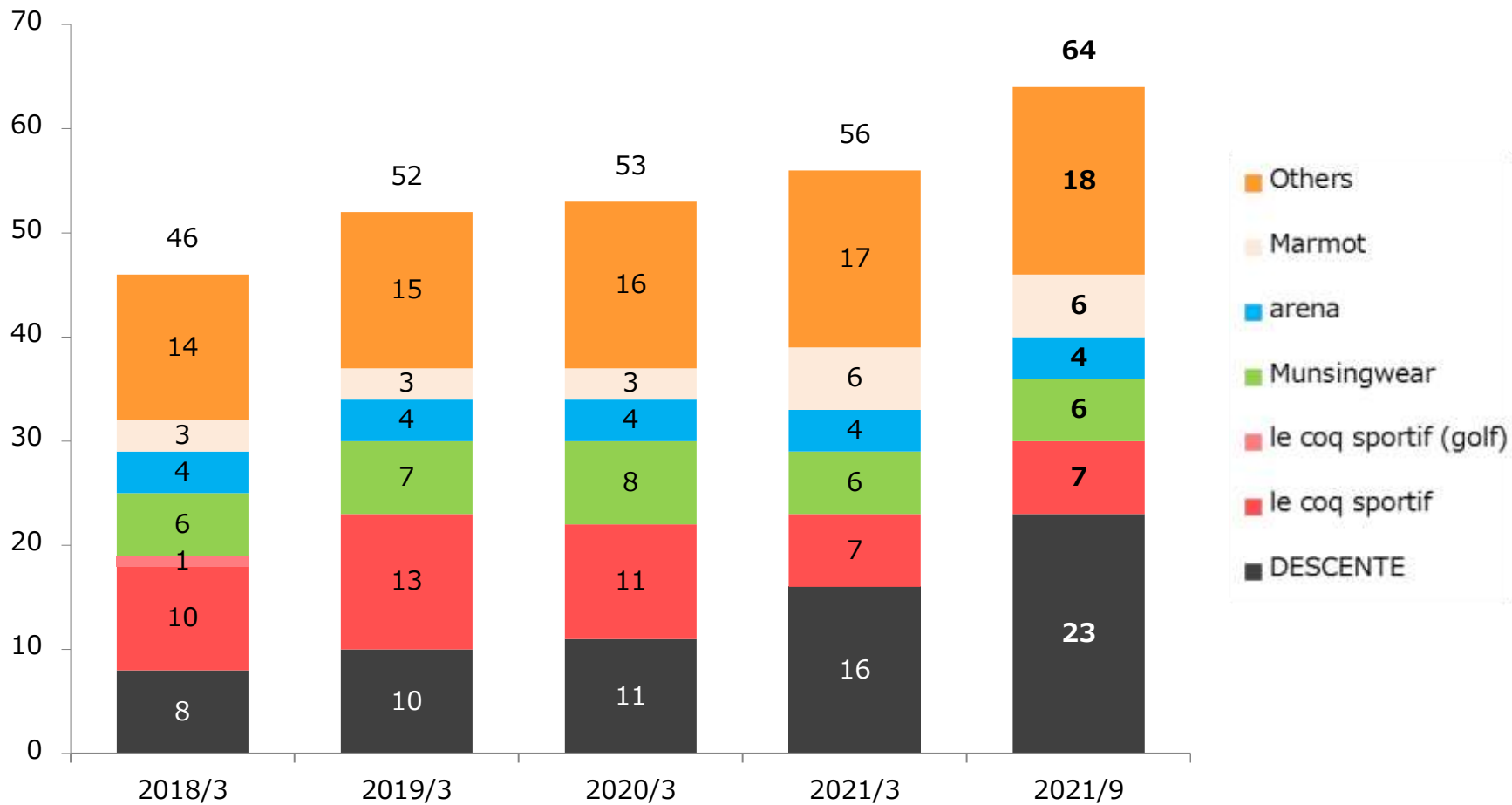
Number of Stores in Japan (directly Managed Stores)



1.2Q FY2021 ③Number of Stores

- Opened 7 stores of “DESCENTE” brand.

*Incl. outlet stores



Directly managed stores / Online stores sales composition ratio in Japan



1.2Q FY2021 ③Number of Stores

- DTC ratio remained flat as all channels recovered sales. Sales of directly managed stores and e-commerce increased by double-digit.



Number of Stores in South Korea

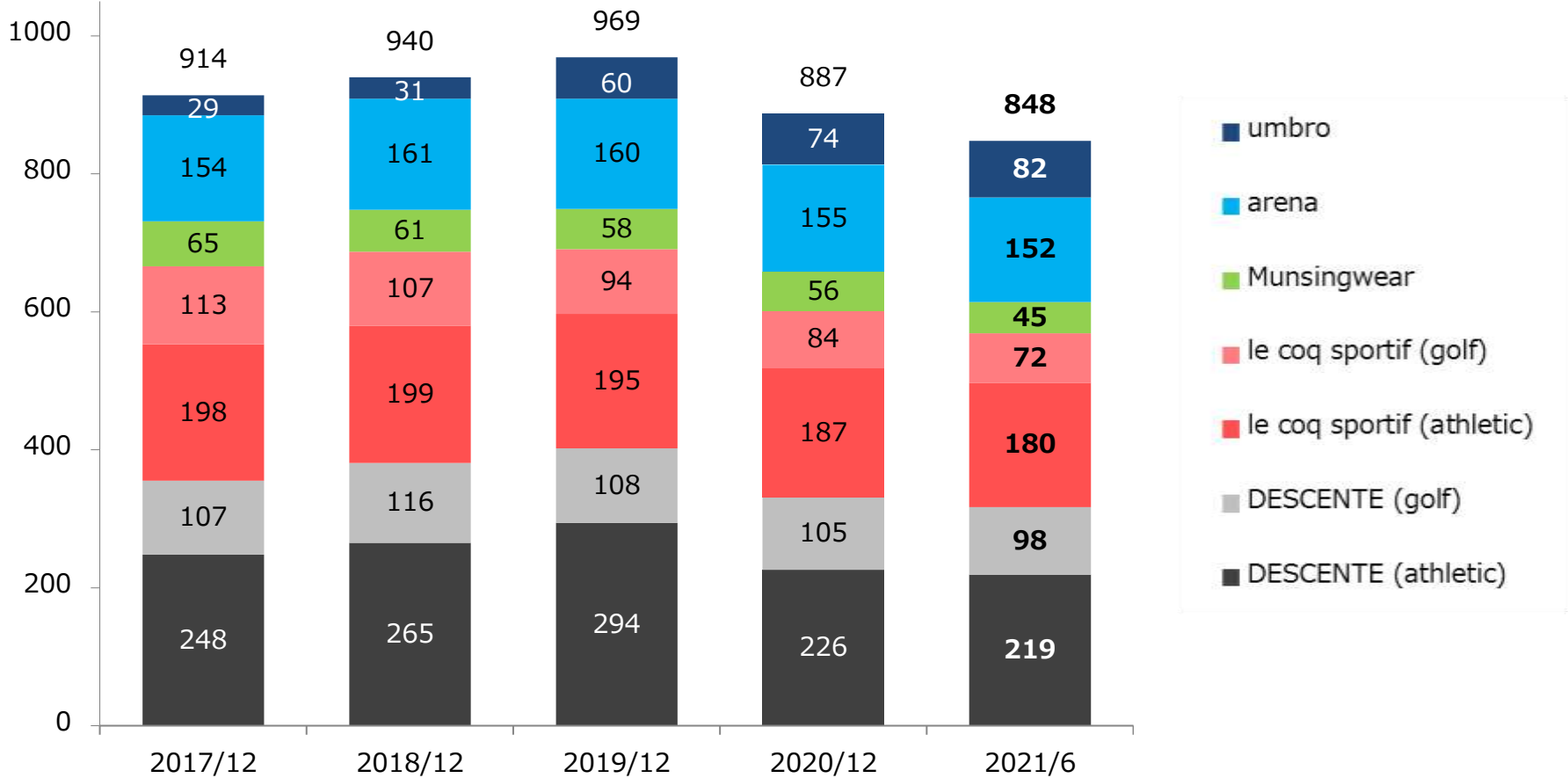


1.2Q FY2021 ③Number of Stores

- Total number of stores decreased from the end of previous year. “umbro” continue to expand.

※Incl. stores of commercial agents and outlets

Number of stores



Number of Stores in China(incl. Hong Kong)

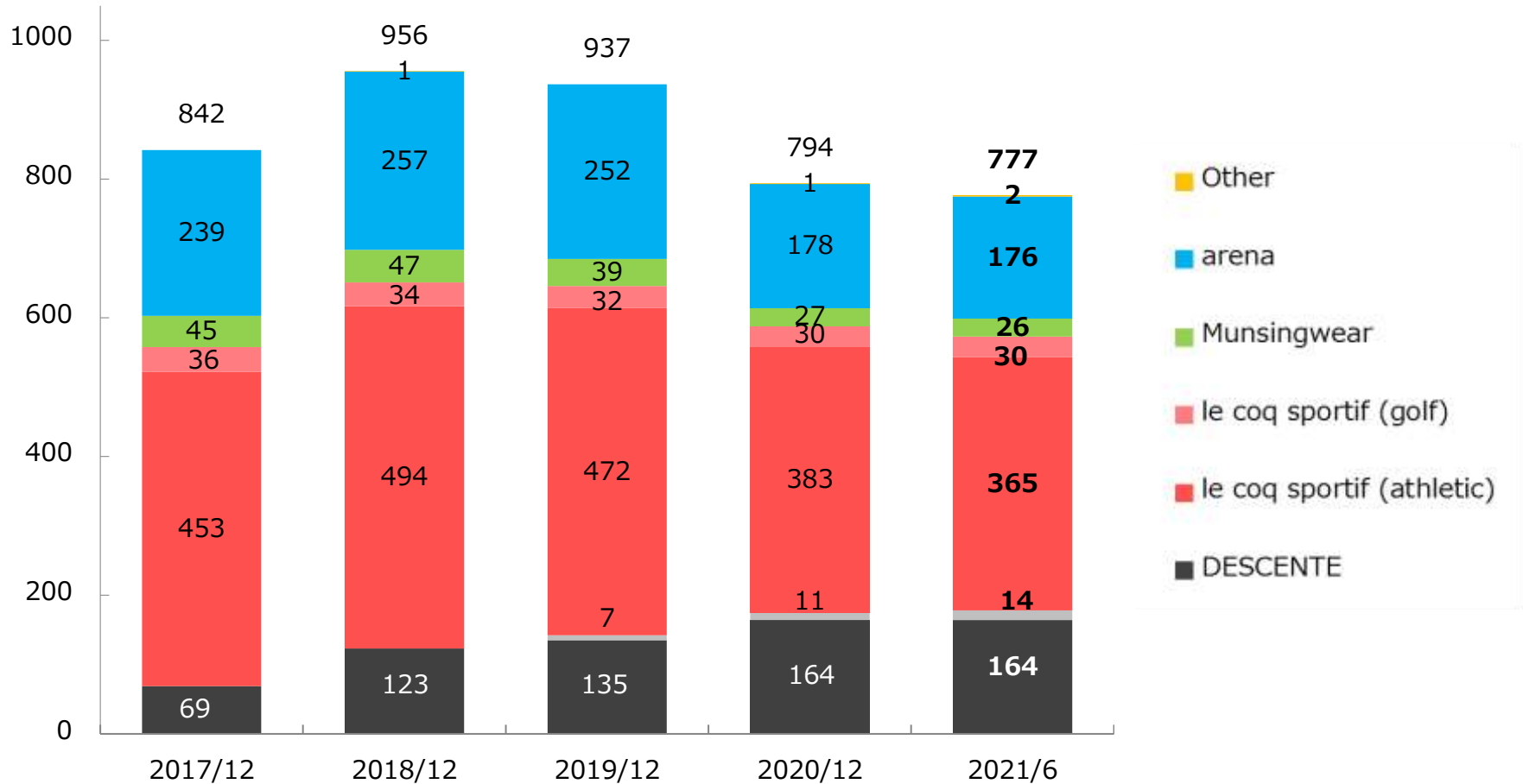


1.2Q FY2021 ③Number of Stores

- For “DESCENTE”, sales per store increased due to renewal of stores and openings of big-box stores
- For brand turnaround, “le coq sportif” continue to shrink number of stores

※Incl. stores of commercial agents and outlets

Number of stores



1. 2Q FY2021

① Financial Summary

② Area and Brand Review

③ Number of Stores

④ **Topics**

2. Plan for FY2021

Japan: Promote DTC Business Expansion



1.2Q FY2021 ④Topics

- Continue to open directly managed stores, mainly “DESCENTE”.



Opened store in Chiba,
after Kanagawa and Saitama
(LaLaport TOKYO-BAY)



Life-sized panel is
displayed at stores



Novelties with original two-
way logo was gifted to the
customers who predicted
the number of HRs.

Campaigns in accordance with the performance of
Shohei Ohtani was held in stores and social media

Japan: Promote DTC Business Expansion



1.2Q FY2021 ④Topics

- Opened new official stores in ZOZOTOWN to enlarge e-commerce business



Penguin by Munsingwear

Open: April 21

<https://zozo.jp/shop/munsingwear/>



le coq sportif

Open: September 29

<https://zozo.jp/shop/lecoqsportif/>



DESCENTE STORE GOLF

Open: August 18

<https://zozo.jp/shop/descentestoregolf/>

South Korea: Strong Sales of 「DISC BUSAN」 Developed Shoes



1.2Q FY2021 ④Topics

- “ENERZITE Z+”, a new running shoes with original cushioning system developed in “DISC BUSAN” is recording strong sales. The shoes are also launched in Japan and China



Implemented promotional activities through TV commercials, social media, supply to runners and holding running classes

China: Aiming to Increase Earnings as a Key Market



1.2Q FY2021 ④Topics

- Opened 2 big-box “DESCENTE” brand flagship stores in Shanghai
- Outlet stores in “Munsingwear” had strong sales, sales of e-commerce continue to grow



Shanghai Super Brand Mall store
(Open: May 18 / store area : 767m²)



Store in SHOWAY outlet, Shanghai(left)
E-commerce sales for “618 campaign”
grew by 30% (right)



Enhance our Manufacturing Capabilities (Japan)



1.2Q FY2021 ④Topics

- Expanding the development of "MoveWear", the sportswear to "move the body, move the spirit"
- Introducing "MoveWear" related contents of employees on owned media "ULLR MAG."



One of the "MoverWear" by "DESCENTE",
"ZERO STYLE" is becoming popular in
directly managed stores



Employees posting and introducing
"MoveWear" contents on "ULLR MAG."

https://store.descente.co.jp/feature/entry_20210827/

Enhance our Manufacturing Capabilities (Japan)



1.2Q FY2021 ④Topics

- Developed and released sportswear for top athletes in multiple categories.



Developed racing suits in “DISC OSAKA”
and supplied to Japanese national team of
BMX-racing



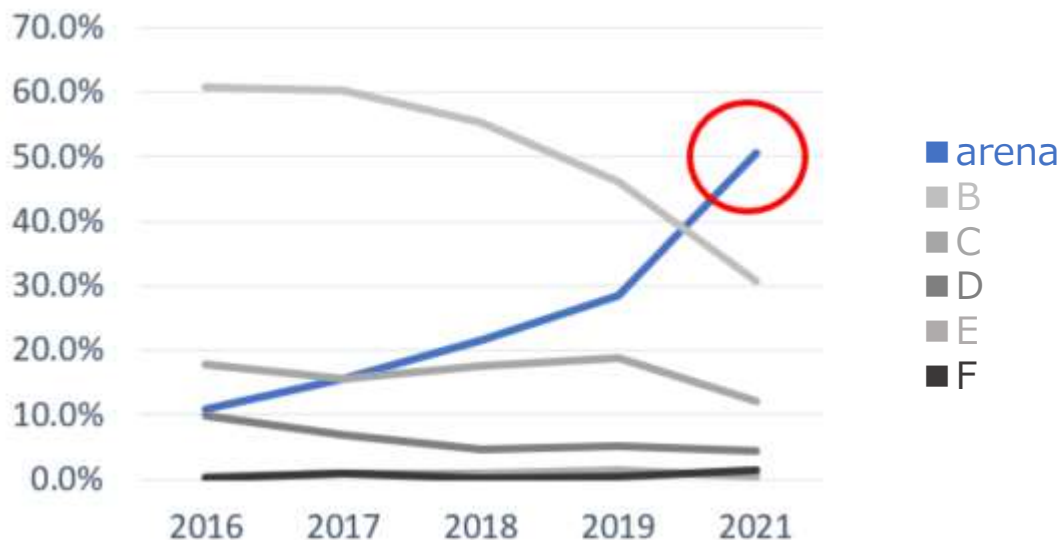
Released golf wear for Golf National Team,
replica model was partly sold out on
in-house e-commerce

Enhance our Manufacturing Capabilities (Japan)



1.2Q FY2021 ④Topics

- “ULTIMATE AZQUAFORCE X” by “arena” brand, a swimsuit developed for top swimmers is getting popular, ratio of “arena” swimsuit in major domestic competitions increased significantly.



Changes in brand ratio of swimsuit worn at Inter-High School Competition (August, in-company research).
Also increase in Japan Championships and other competitions.

All 8 swimmers wore
“arena” swimwear
in one of the race in Inter-High

Initiatives toward Sustainability



1.2Q FY2021 ④Topics

- Implementing manufacturing which can be used for long time as “the challenge for sustainable manufacturing”, one of the material issues identified

Before



After



Repaired approx. 1,500 “Mizusawa DOWN”
in 12 years since its launch in 2008.



Posting the episode of our customer wearing same
wear for 20years on “ULLR MAG.” (Japanese only)
<https://www.descente.co.jp/media/brand/munsingwear/12738/>

1. 2Q FY2021

① Financial Summary

② Area and Brand Review

③ Number of Stores

2. Plan for FY2021

FY2021 Earnings Forecast



2. Plan for FY2021

Net Sales : No revision. Japan business performing well, South Korea expected to fall below plan.

Operating income / Ordinary income : No revision. Profitability improvement in Japan business is ahead of schedule, on the other hand, the development cost of ERP is expended.

Profit attributable to owners of parent : Revised upward due to extraordinary income of ¥1.2B from the sales of head office.

| (Unit: JPY million) | FY2019 | FY2020 | FY2021 | |
|---|---------|---------|------------------|------------------------------|
| | | | Revised Forecast | YoY |
| Net sales | 124,561 | 96,862 | 103,000 | + 6,138 (106.3%) |
| Operating income | 379 | ▲ 1,806 | 4,250 | + 6,056 (-) |
| (%) | 0.3% | ▲ 1.9% | 4.1% | - |
| Ordinary income | 456 | ▲ 584 | 6,800 | + 7,384 (-) |
| (%) | 0.4% | ▲ 0.6% | 6.6% | - |
| Profit attributable to owners of parent | ▲ 2,481 | 5,039 | 6,200 | +1,161 (123.0%) |
| (%) | ▲ 2.0% | 5.2% | 6.0% | - |

Predicted Exchange Rate : 100KRW9.69、CNY16.76、HKD13.98

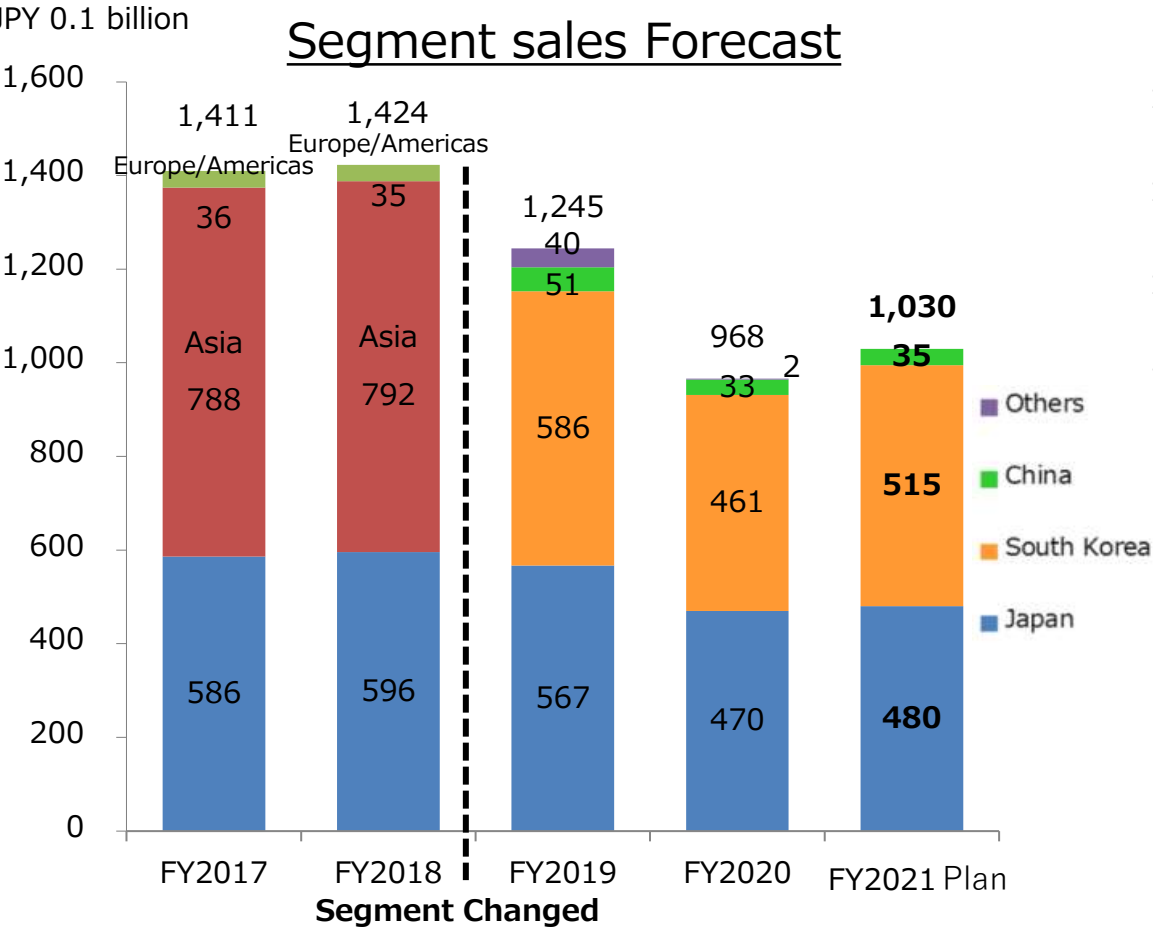
FY2021 Earnings Forecast in Segments and Area (Consolidated)



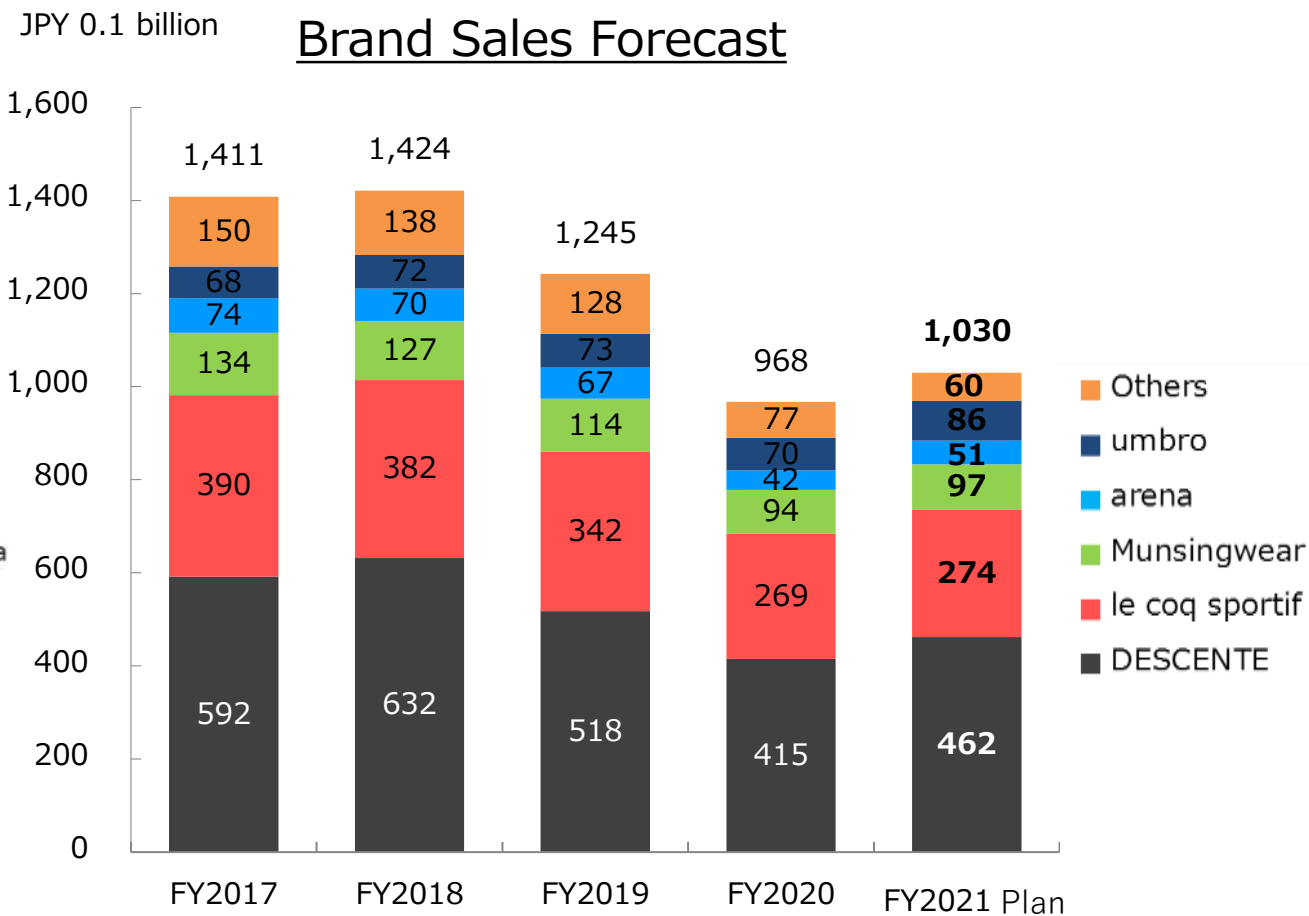
2.Plan for FY2021

Sales of Segments : Expect to increase sales in each segment
Sales of Brands: Expect to increase sales, mainly by “DESCENTE”

Segment sales Forecast



Brand Sales Forecast



NOTES: FY2021 = FY ending March, 2022

FY2021 Dividend Forecast



2. Plan for FY2021

Unchanged since the last announcement on August 6, 2021.

| (Unit: JPY million) | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 Plan |
|---|---------|---------|---------|--------|-------------|
| Dividends | 1,733 | 1,960 | - | - | 1,509 |
| Amount/share | JPY23.0 | JPY23.0 | - | - | JPY12.0 |
| Profit attributable to owners of parent (Consolidated) | 5,771 | 3,944 | ▲ 2,481 | 5,039 | 6,200 |
| Payout ratio | 30.0% | 49.7% | - | - | 24.3% |

NOTES: FY2021 = FY ending March, 2022

Affiliated Companies in China: Summary



As of end of June 2021

| Relations | Consolidated Subsidiaries | | Affiliated Companies Accounted for under the Equity Method | | |
|--|---|--|---|---|---|
| Company Name | SHANGHAI DESCENTE COMMERCIAL CO., LTD. | HONG KONG DESCENTE TRADING, LTD. | DESCENTE (CHINA) CO., LTD. | LE COQ SPORTIF (NINGBO) CO., LTD. | ARENA (SHANGHAI) INDUSTRIAL CO., LTD. |
| Location | Shanghai | Hong Kong | Shanghai | Ningbo | Shanghai |
| Incorporated | August, 2005 | November, 2003 | July, 2016 | February, 2004 | October, 2016 |
| Fiscal Year | December | | | | |
| Investment Ratio | DESCENTE GROUP 100% | DESCENTE GROUP 100% | DESCENTE GROUP 40% ANTA Group 54% Itochu Group 6% | DESCENTE GROUP 40% ShanShan Group 50% Itochu Group 10% | DESCENTE GROUP 30% Symphony Holdings Limited 70% |
| Brands |   |     |  |  |  |
| Sales royalty for locally planned products Payment to | DESCENTE LTD. | DESCENTE LTD. | - | DESCENTE LTD. | No royalty payment (Buying all products from SHANGHAI DESCENTE COMMERCIAL CO., LTD.) |
| Segment (Company location base) | China | | Not included | | |
| Area (Customer location base) | China | China, Other Asia | Not included | | |

Exchange Rate

| | | USD | 100KRW | CNY | HKD | SGD | GBP |
|--------|-------------|--------|--------|-------|-------|-------|--------|
| FY2021 | 4Q YTD plan | - | 9.69 | 16.76 | 13.98 | 81.36 | - |
| | 2Q YTD | - | 9.69 | 16.76 | 13.98 | 81.36 | - |
| | 1Q YTD | - | 9.55 | 16.45 | 13.81 | 80.26 | - |
| FY2020 | 4Q YTD | 106.04 | 9.06 | 15.42 | 13.72 | 77.27 | - |
| | 3Q YTD | 106.74 | 8.94 | 15.31 | 13.82 | 77.22 | - |
| | 2Q YTD | 107.48 | 8.95 | 15.32 | 13.95 | 77.30 | - |
| | 1Q YTD | 108.36 | 9.05 | 15.53 | 14.04 | 78.32 | 139.10 |
| FY2019 | 4Q YTD | 109.24 | 9.41 | 15.82 | 13.95 | 80.12 | 139.49 |
| | 3Q YTD | 109.19 | 9.42 | 15.91 | 13.93 | 80.01 | 138.72 |
| | 2Q YTD | 109.92 | 9.62 | 16.23 | 14.03 | 81.01 | 142.37 |
| | 1Q YTD | 111.26 | 9.85 | 16.44 | 14.06 | 81.70 | 145.20 |
| FY2018 | 4Q YTD | 110.34 | 10.04 | 16.64 | 14.08 | 81.71 | 146.73 |
| | 3Q YTD | 110.07 | 10.05 | 16.77 | 13.98 | 81.66 | 147.94 |
| | 2Q YTD | 108.81 | 10.05 | 17.01 | 13.84 | 81.54 | 148.83 |
| | 1Q YTD | 107.60 | 10.04 | 17.03 | 13.72 | 81.67 | 150.68 |
| FY2017 | 4Q YTD | 111.59 | 10.00 | 16.63 | 14.37 | 81.47 | 145.34 |
| | 3Q YTD | 111.70 | 9.88 | 16.47 | 14.35 | 80.77 | 143.62 |
| | 2Q YTD | 111.51 | 9.89 | 16.37 | 14.41 | 80.22 | 142.26 |
| | 1Q YTD | 111.95 | 9.91 | 16.43 | 14.53 | 80.13 | - |

Disclaimer: The contents of the business plan and the future objectives described in this document are base on information currently available and therefore contain an element of uncertainty and potential risk. Please be advised there is a possibility that actual results may be affected by a number of factors and may differ materially from what is described.

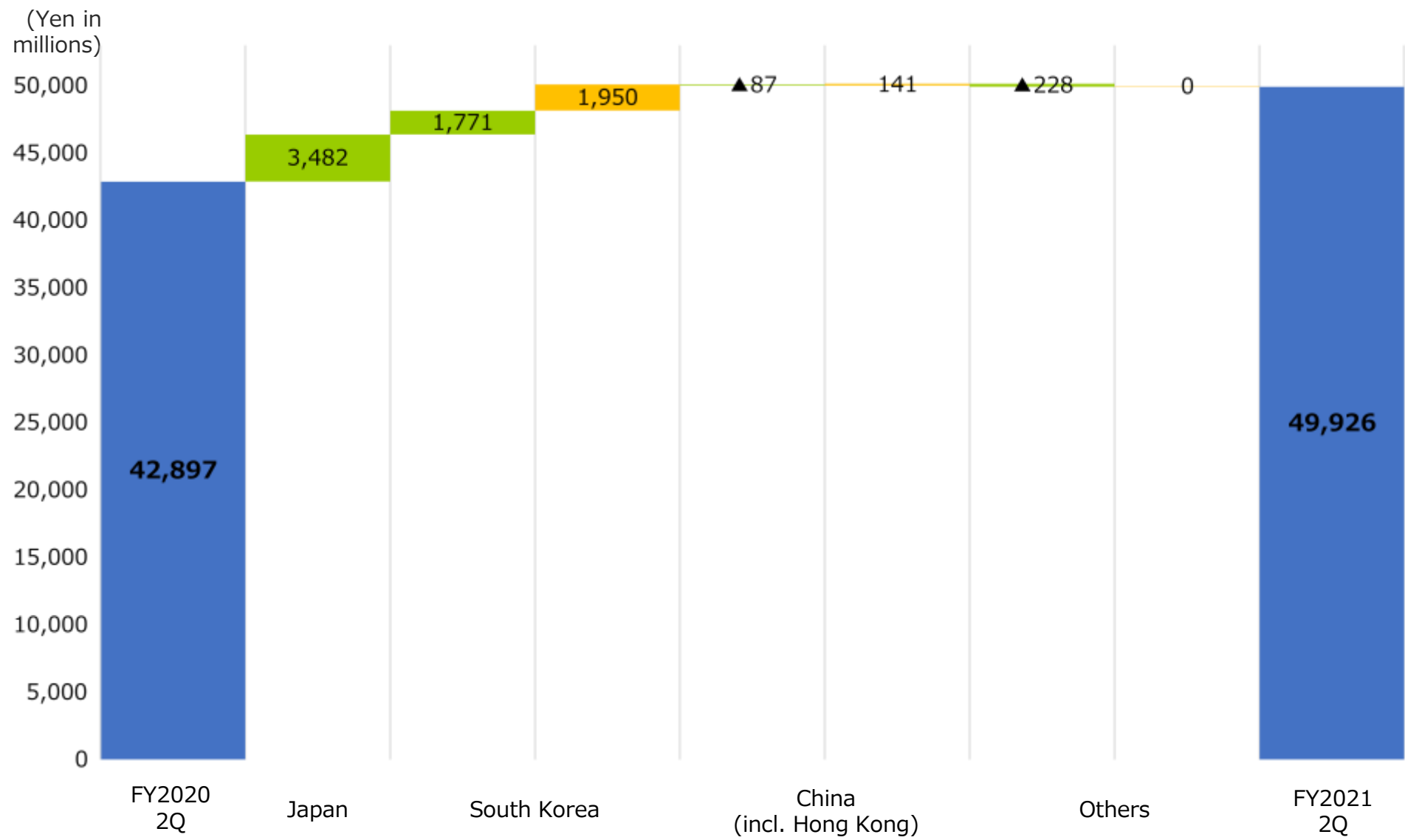
1Q YTD = First 3 months of FY
 2Q YTD = First 6 months of FY
 3Q YTD = First 9 months of FY
 4Q YTD = Full FY

FY2021 = FY ended March31 2022

2Q FY2021 Reference

(Quarterly Sales and Operating Income by Segment)

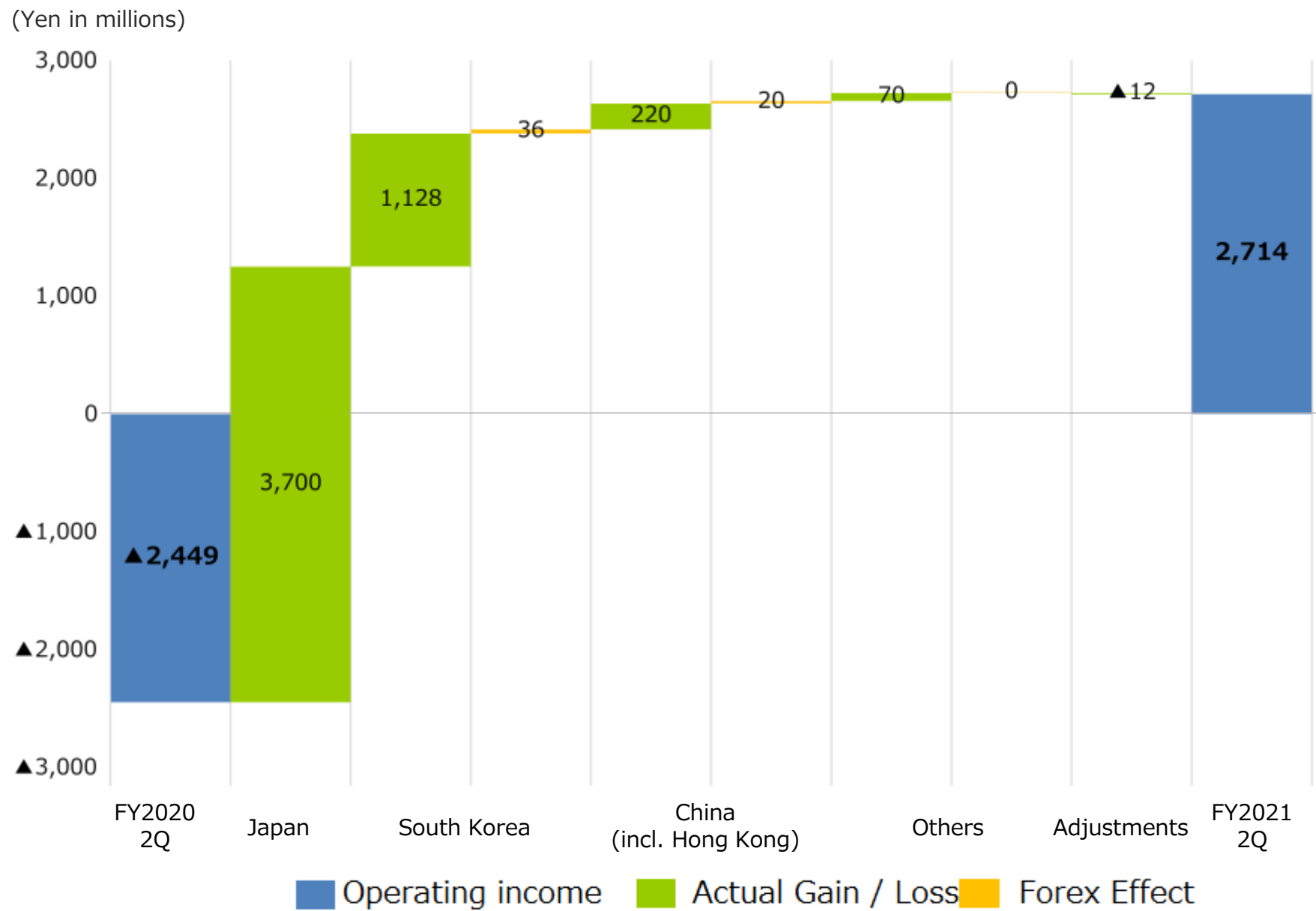
Net Sales (YoY)



NOTES: FY2021 = FY ending March, 2022

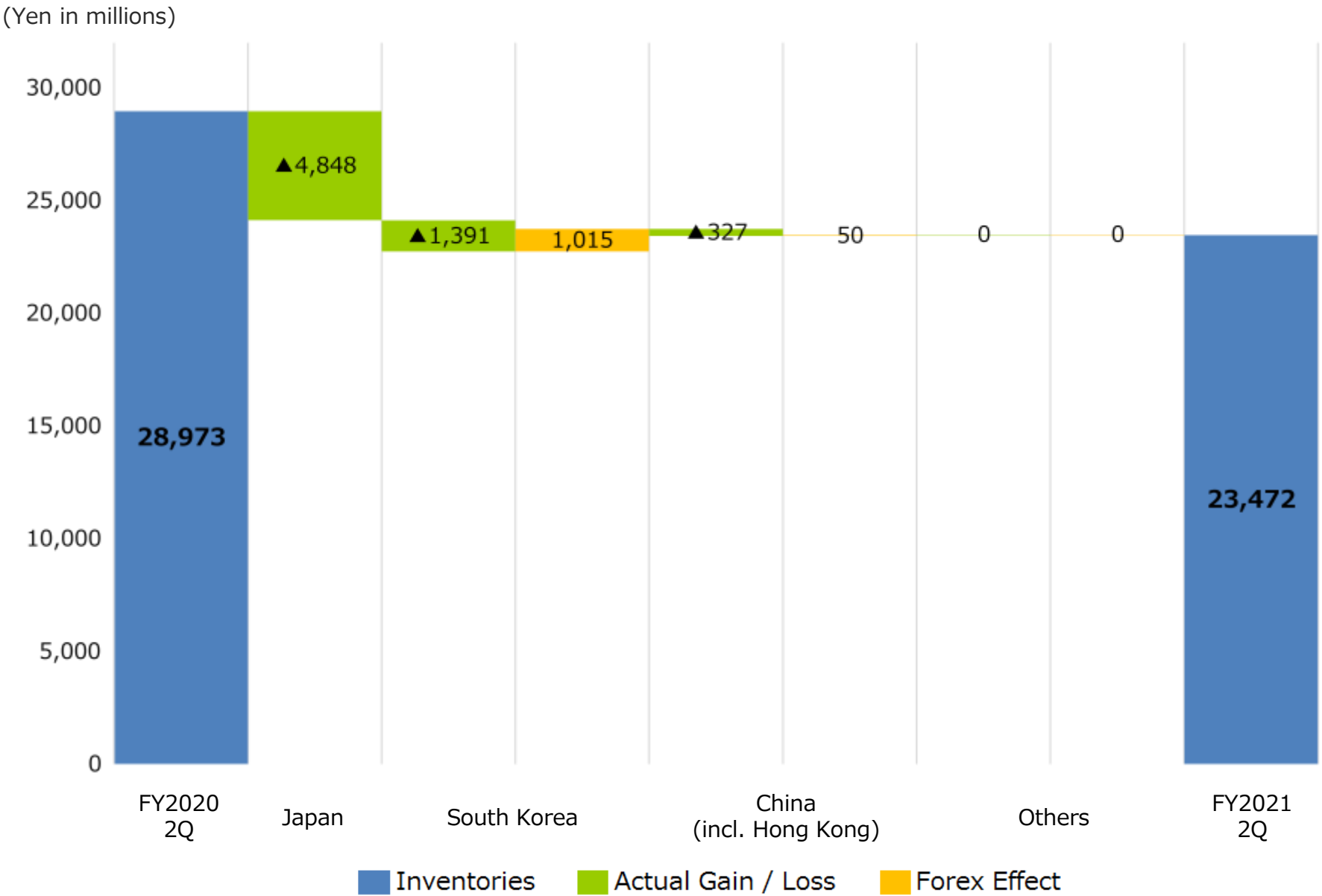
Net Sales Actual Gain / Loss Forex Effect

Operating Income (YoY)



NOTES: FY2021 = FY ending March, 2022

Inventory (YoY)

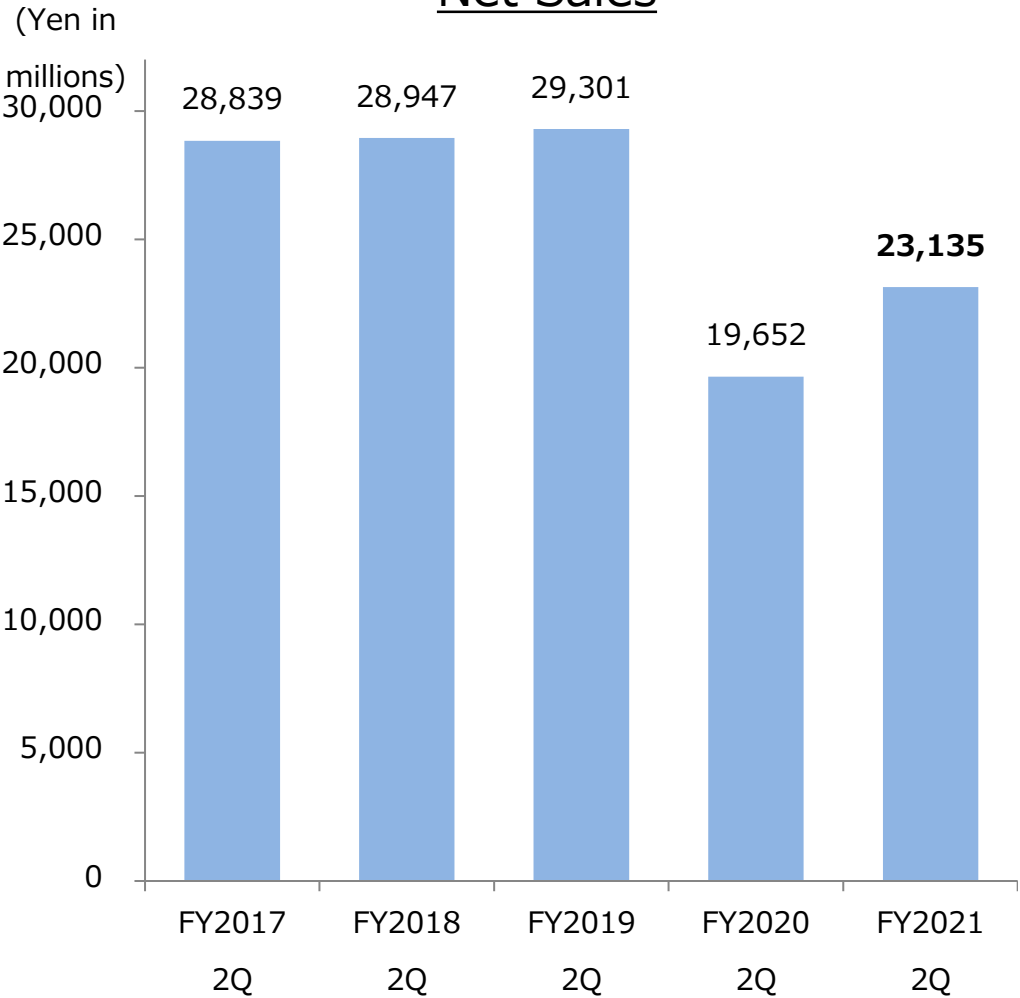


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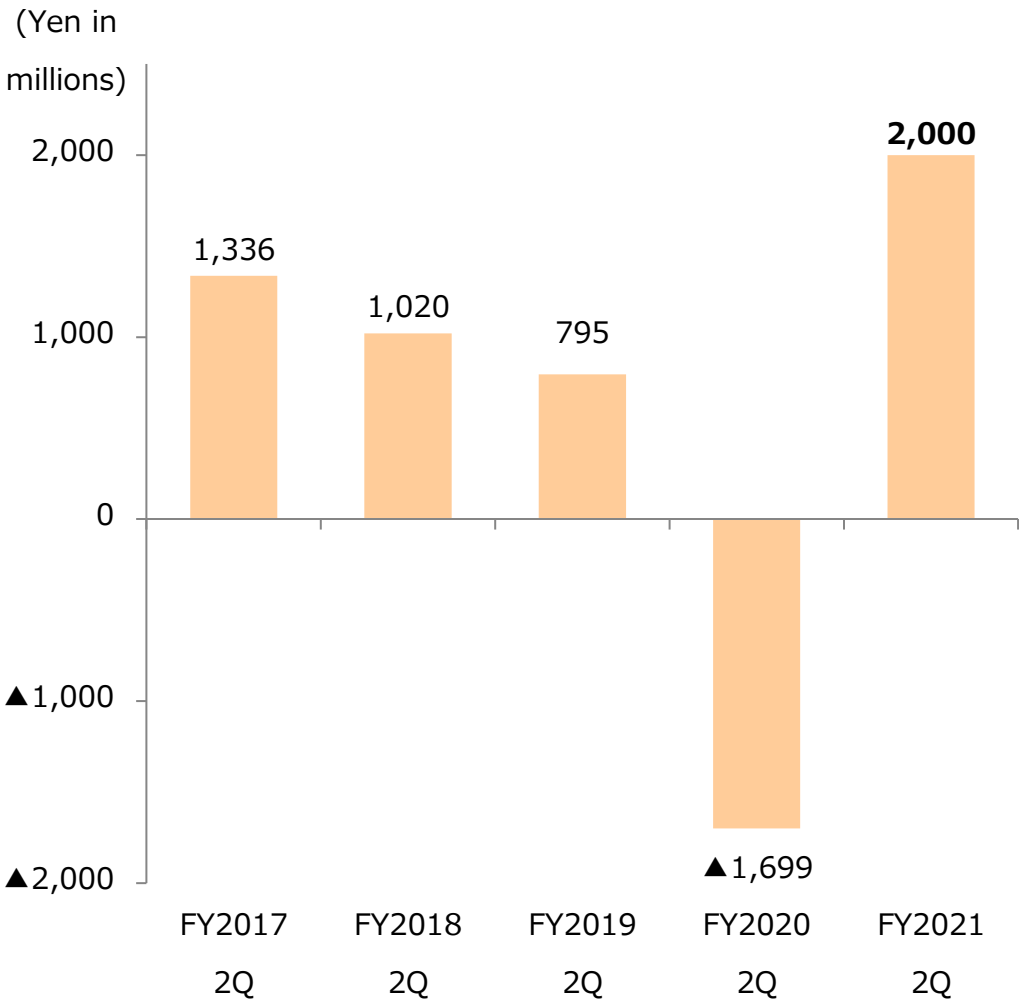
Net Sales and Operating Income (Japan)



Net Sales

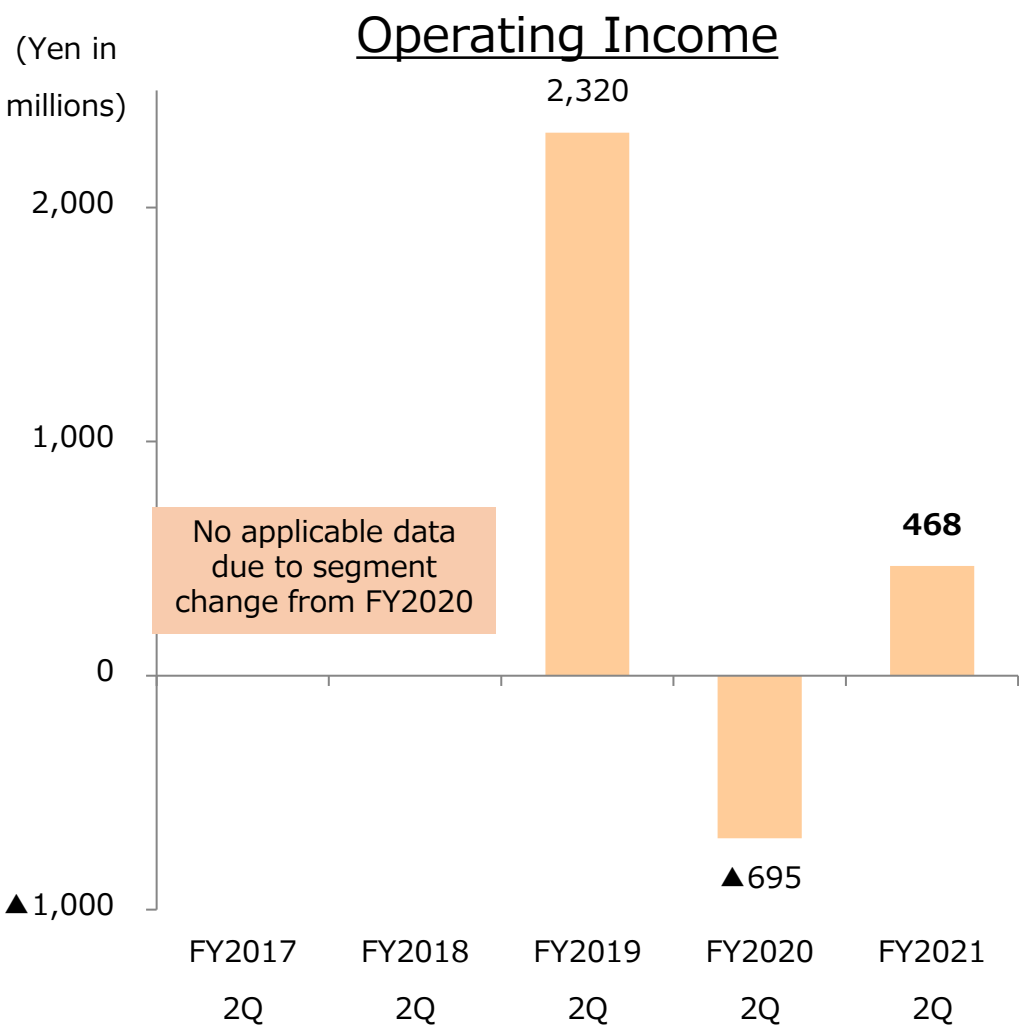
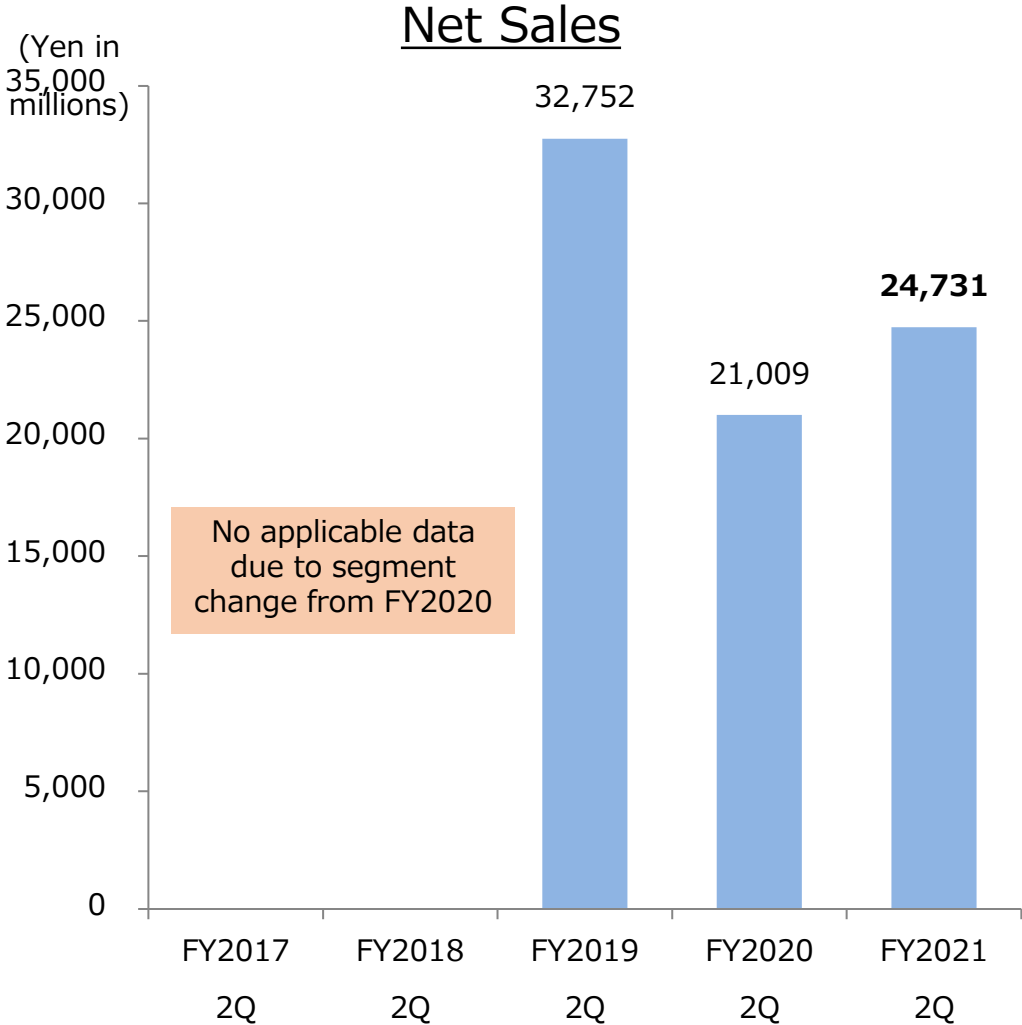


Operating Income



NOTES: FY2021 = FY ending March, 2022

Net Sales and Operating Income (South Korea)

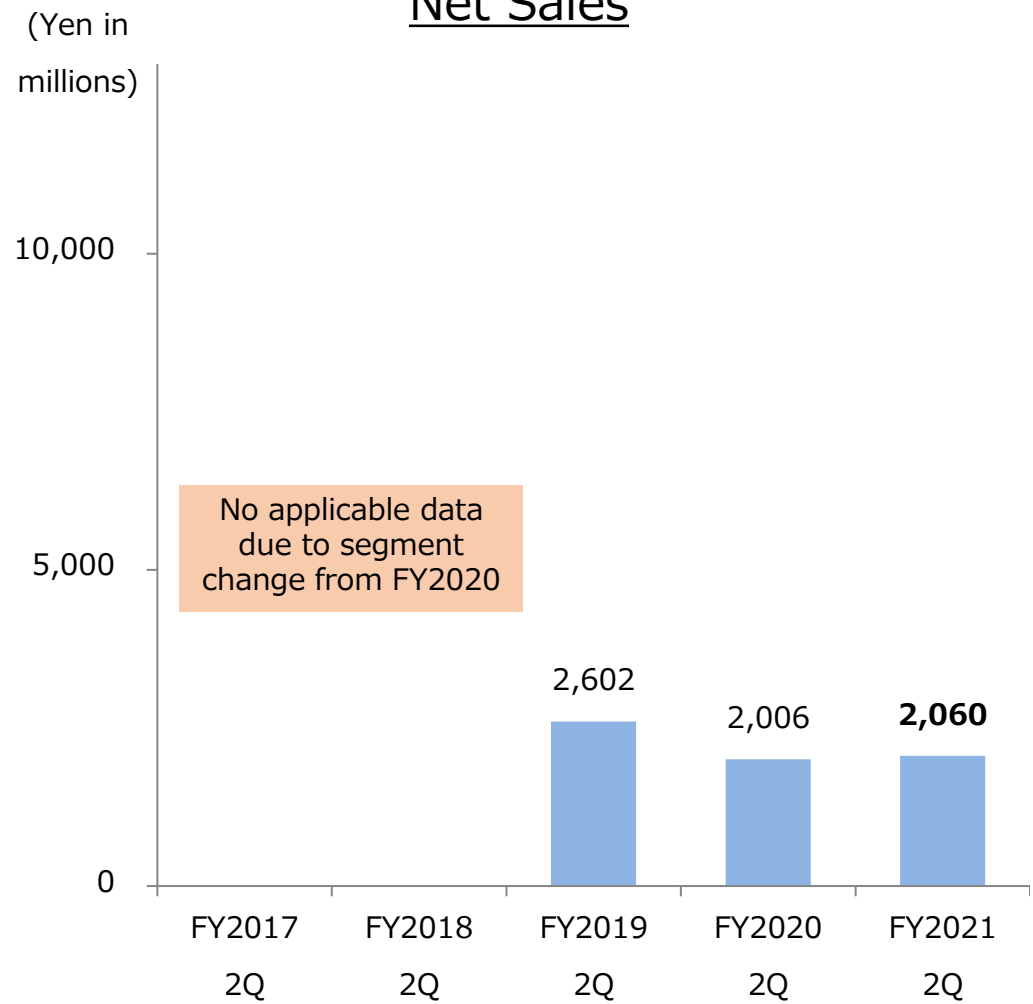


NOTES: FY2021 = FY ending March, 2022

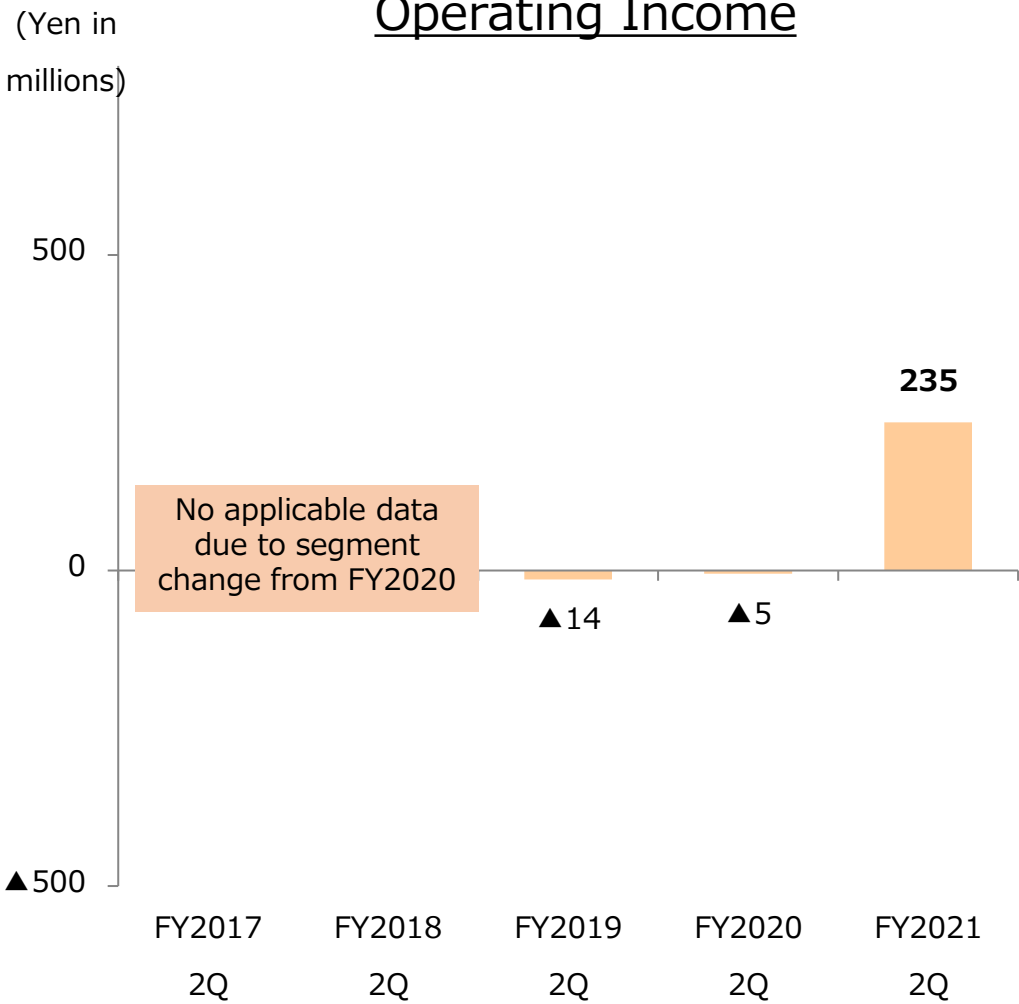
Net Sales and Operating Income (China)



Net Sales

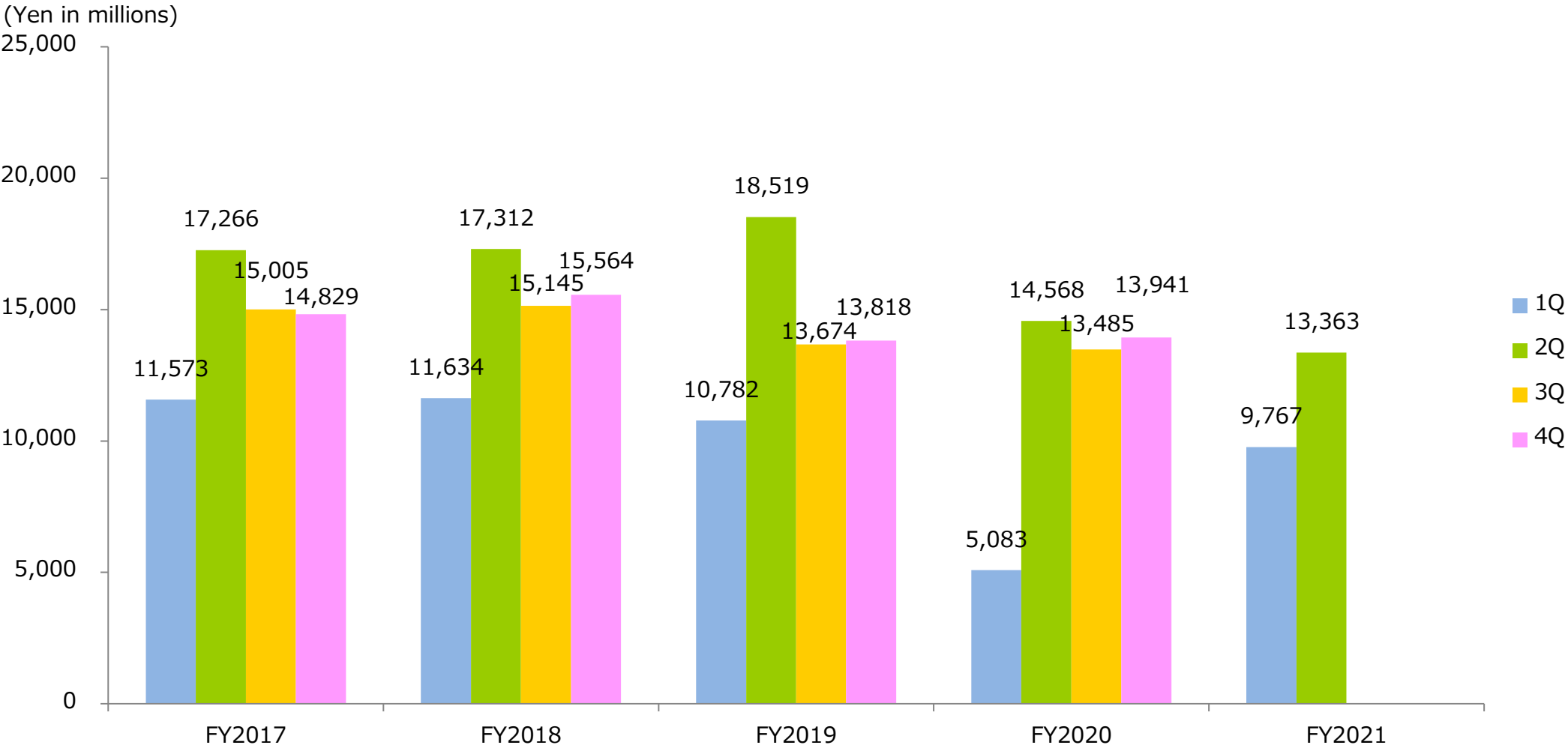


Operating Income



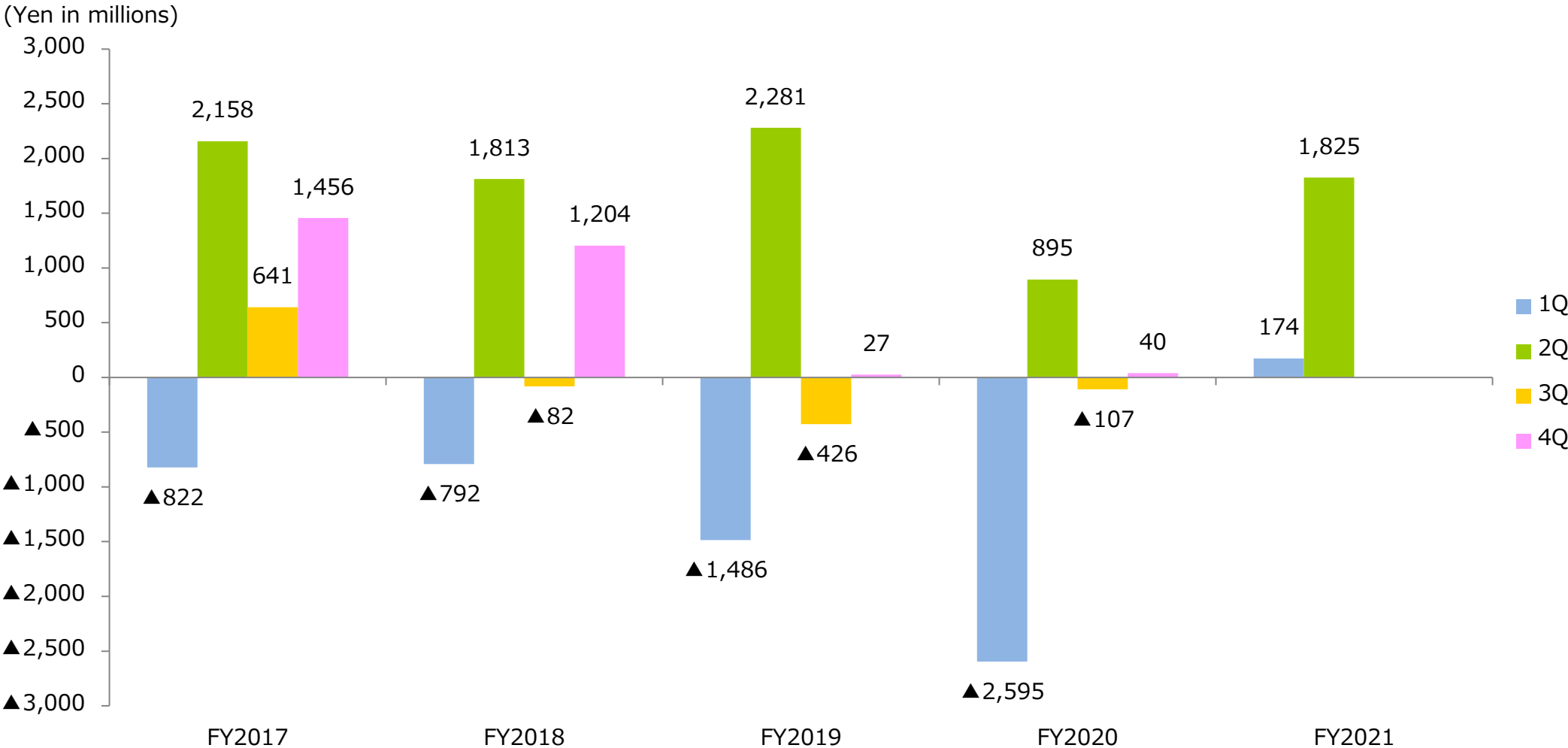
NOTES: FY2021 = FY ending
March, 2022

Quarterly Sales (Japan)



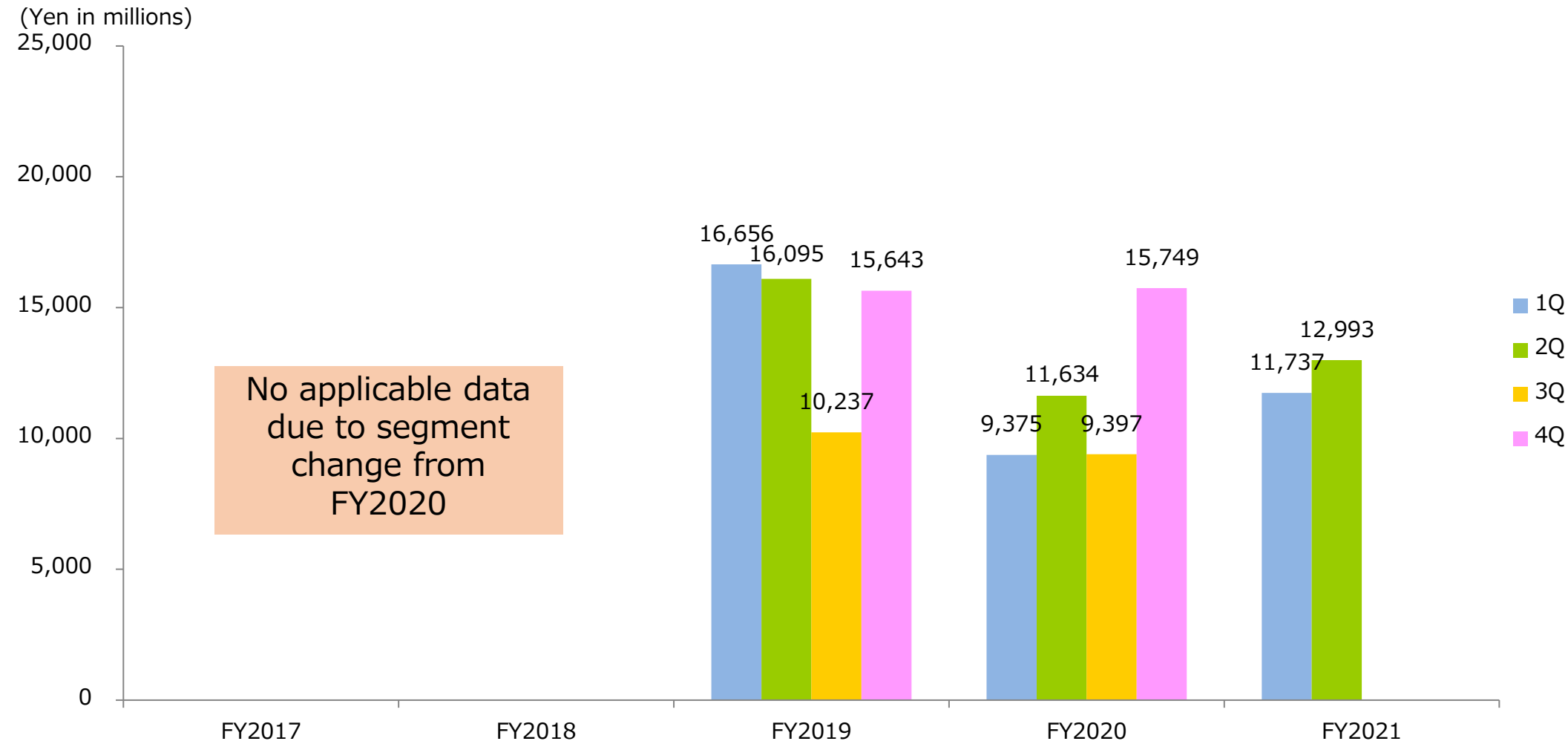
NOTES: FY2021 = FY ending
March, 2022

Quarterly Operating income (Japan)



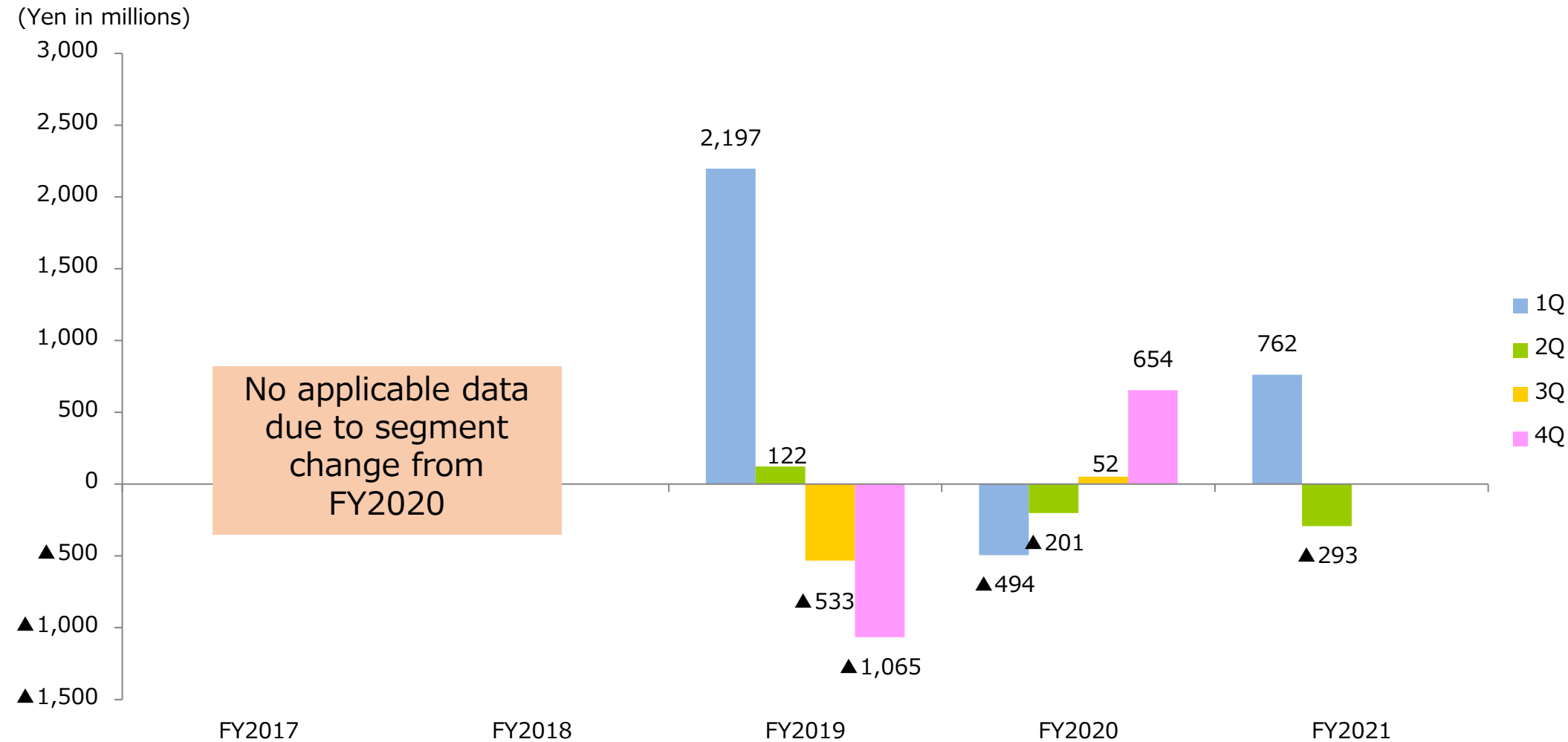
NOTES: FY2021 = FY ending
March, 2022

Quarterly Sales (South Korea)



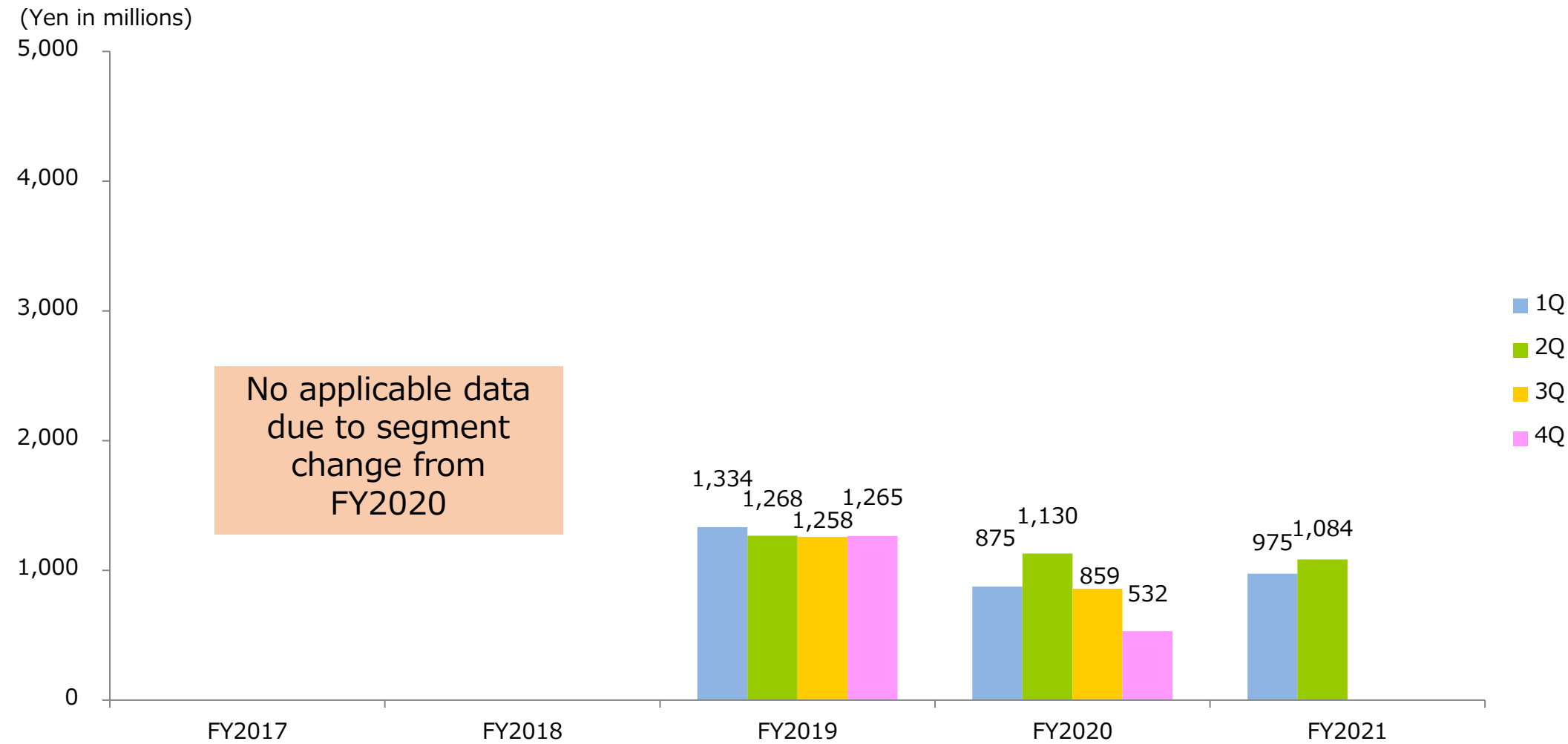
NOTES: FY2021 = FY ending March, 2022

Quarterly Operating income (South Korea)



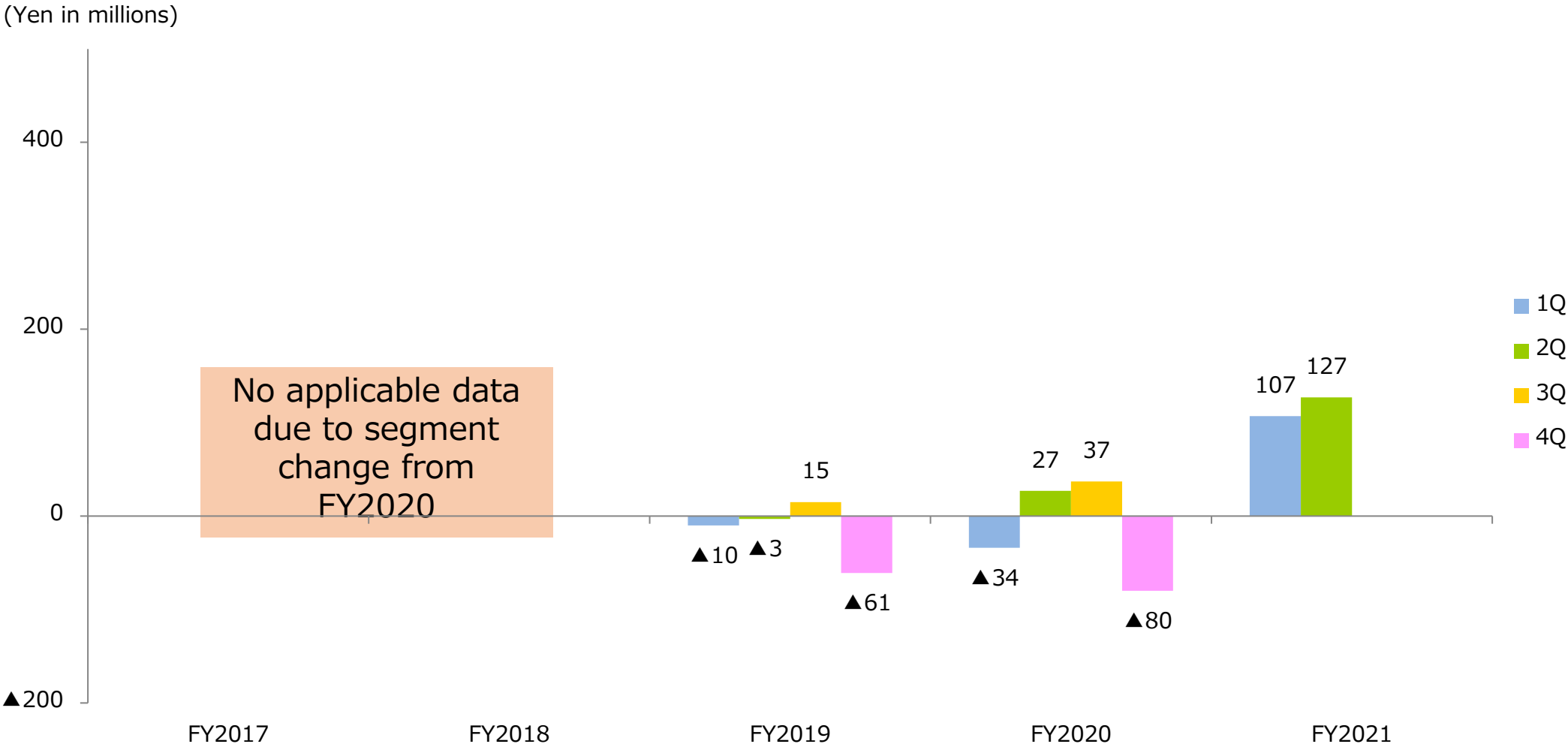
NOTES: FY2021 = FY ending
March, 2022

Quarterly Sales (China)



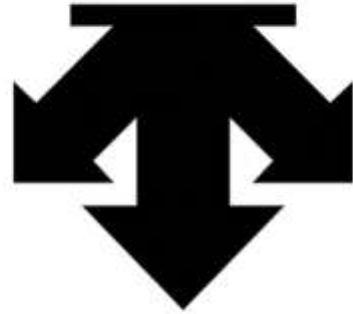
NOTES: FY2021 = FY ending
March, 2022

Quarterly Operating income (China)



NOTES: FY2021 = FY ending
March, 2022

DESCENTE



Design for Sports